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World Business Newspaper — WEDNESDAY FEBRUARY 28 1996

IBM stops making computers at Russian factory

US computer company IBM is pulling out of personal computer production in Russia. It says changes in the Russian tax regime have undermined the rationale for making computers locally rather than importing them. Other western computer makers have also complained about the effect of tax breaks granted to Russian trading groups with Kremlin connections. These concessions have enabled some favoured dealers to sell imported computers free of tariffs and taxes – normally 21.5 per cent of the selling price. Page 12

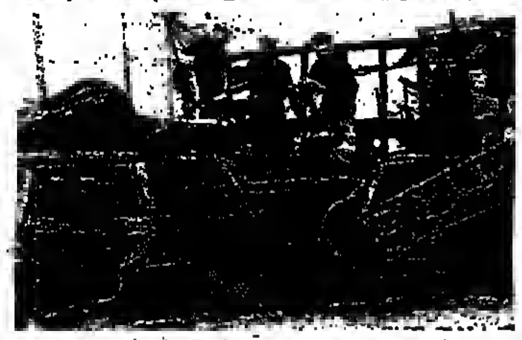
US data hit rate cut hopes: A boost in consumer confidence and better than expected retail sales figures hit US market hopes of an early cut in interest rates. Retail sales fell 0.3 per cent last month against a predicted 0.5 per cent, while revised December sales data showed a rise of 0.6 per cent from November. Page 12

Franco-German compromise: France and Germany reached a compromise aimed at letting the European Union act more decisively in foreign and security policy issues while allowing member states to abstain from involvement in specific military and policing decisions. The deal is in preparation for next month's conference on developing the EU. Page 2; Editorial Comment, Page 11

Bombardier bows out: Canadian aerospace company Bombardier withdrew as a potential rescuer for Fokker, the near-bankrupt Dutch aircraft maker. Fokker's future now lies either with a second potential bidder, Samsung of South Korea, or possibly as a "stand-alone" role in slimmed-down form. Page 13

French group to split: Media and textiles group Chargeurs plans to split into two separate quoted companies in what is thought to be the first French example of a big demerger. Pathé will take control of television, cinema and press interests, and Chargeurs International will run its textile and distribution businesses. Page 13; Lex, Page 12

Many killed in Belgian motorway pile-up:



At least 14 people died and about 30 were seriously injured when 120 vehicles were involved in a pile-up on a fog-bound motorway. Fire raged through the cars after the crashes on the E17 Antwerp-Lille route and police did not rule out finding more bodies in the burned-out wreckage.

Indian opposition walks out: Indian opposition legislators walked out of parliament after demanding that prime minister P.V. Narasimha Rao attend to explain his role in a series of political corruption scandals.

Wal-Mart declines: US stores group Wal-Mart saw quarterly profits fall for the first time in 25 years. Fourth-quarter earnings dropped by 9 per cent to $942m compared with the same quarter a year earlier.

Reassurance from China: Chinese trade and finance officials sought to reassure foreign investors about the impact of imminent tax reforms. Foreign investors have been worried about the extra administrative burden involved in the reforms and the increased cost of investment. Page 4

Japanese company admits falsehood: Japanese drugs company Green Cross admitted lying about when it withdrew untreated blood products. The admission angered haemophiliacs infected with the Aids virus HIV from tainted imported blood products. Page 6

Cubans shrug off sanctions: Cuba was defiant in the face of punitive US sanctions order after two small US civilian aircraft were shot down by Cuban fighters. The UN Security Council called for an international investigation into the incident. Page 5

Super League stumbles: Australia's federal court banned Rupert Murdoch's News group from starting a breakaway rugby league – to be called Super League – this season, and said it could not use players it had signed up but who had previously been contracted to the Australian Rugby League clubs in any competition. Page 6

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	5,530.78	(-34.32)
NASDAQ Composite	1,108.36	(-4.57)
Europe and Far East		
CAC40	1,974.62	(+13.59)
DAX	2,444.92	(+2.58)
FT-SE 100	3,715.9	(+11.7)
Nikkei	20,000.40	(-479.87)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	4.902%
Long Bond	94¼
Yield	6.430%

OTHER RATES

UK: 3-mo Interbank	6⅛%	(6⅛%)
UK: 10 yr Gilt	96⅛	(96⅛)
France: 10 yr OAT	103.63	(103.65)
Germany: 10 yr Bund	96.95	(96.87)
Japan: 10 yr JGB	109.358	(109.287)

NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$18.005	(17.885)

GOLD

New York: Comex		
(Apr)	$398.6	(400.6)
London:		
close	$399.25	(398.3)

DOLLAR

New York: lunchtime		
£	1.54145	
DM	1.43025	
FFr	4.978	
SFr	1.1809	
Y	104.255	
London:		
£	1.539	(1.54)
DM	1.4528	(1.4471)
FFr	4.9903	(4.973)
SFr	1.183	(1.177)
Y	104.605	(104.27)

STERLING

DM	2.2359	(2.2285)
Tokyo close:	Y 104.25	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00		
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12		
Bahrain	Din1.250	Hong Kong	HK$30	Malta	Lm0.65	Singapore	S$4.30		
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65		
Bulgaria	Lw130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00		
Cyprus	C£1.20	India	Rs75	Nigeria	Naira50	Spain	Pta250		
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20		
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70		
Egypt	E£5.00	Japan	Y600	Pakistan	Rs40	Syria	S£85.00		
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750		
Finland	FM15.50	Kuwait	Fils650	Portugal (m'land)	Es240	Turkey	L70,000		
France	FFr11.50	Lebanon	LL3,000			UAE	Dh12.00		

Norwegian engineering group holds takeover talks with ailing UK conglomerate

Kvaerner may bid for Trafalgar

By Andrew Taylor and Patrick Harverson in London and Christopher Brown-Humes in Stockholm

Trafalgar House revealed yesterday it was in talks with Kvaerner of Norway that could lead to a bid for the struggling UK construction, engineering and shipping conglomerate.

Kvaerner was frustrated last December in a £360m ($554m) hostile bid for Amec, another UK construction and engineering group. The Norwegian engineering and shipping group said yesterday it would only proceed with a purchase with the support of Trafalgar. The share price of Trafalgar, in which Hong Kong Land holds a 26 per cent stake, jumped 8¼p to 47½p following the announcement. Kvaerner's B shares fell NKr5 to NKr193.

Kvaerner said the group was talking to Trafalgar because "our long-term strategy is to expand internationally in areas where we are already active".

The group has identified its offshore oil and gas fabrication business as well as large international construction and civil engineering projects as two areas where it wants to expand. Trafalgar has large interests in both of these markets.

It was not clear, however, if Kvaerner was interested in buying all or a large part of the British group. Kvaerner said: "We are having talks covering a broad range of business opportunities."

City analysts doubted whether Kvaerner had the financial strength to buy Trafalgar outright. One analyst said: "Kvaerner does not appear to have the capital or cash reserves to make a move of this size."

Kvaerner's stock market value of about £860m is slightly higher than Trafalgar's market capitalisation of £813m at yesterday's closing price.

Analysts estimated that the Norwegian company would have to pay at least 55p a share to buy the British group, which suspended dividend payments last autumn after making a pre-tax loss of £320.8m in the 12 months to the end of September.

Kvaerner said the two groups had overlapping interests in offshore construction and mechanical engineering but added that Trafalgar's Cunard cruise shipping businesses did not fit with Kvaerner's existing activities.

Kvaerner doubled profits last year to NKr2.4bn ($379m) from NKr1.2bn in 1994.

The figures, however, were inflated by several one-off gains including NKr568m on the sale of Kvaerner's gas carrier shipping business in April.

Since the end of 1991 the group's share price has underperformed the Norwegian market. The shares have continued to slide with the market worried by recent losses on big projects and falling margins in the shipbuilding industry.

Eschewing battle, Page 19
Lex, Page 12

Sega to scale down European sales operation

Group will take extraordinary loss of $245m to cover closures

By William Dawkins in Tokyo and Alice Rawsthorn in London

Sega Enterprises, one of Japan's largest games groups, yesterday announced the closure of its European sales subsidiary and its replacement with a smaller operation.

The move follows a turbulent period for the video games industry during which sales of hardware and software declined from the 1992 peak as enthusiasts waited for the launch of the new generation of 32-bit systems. Sega also faces competition from Sony's 32-bit system, the Japanese consumer electronic group's first games format.

Sega will take a Y26bn ($245.28m) extraordinary loss in the current financial year to the end of March, to cover the cost of closing Sega Europe's London headquarters and its sales operations in Austria, Belgium and the Netherlands.

The extraordinary loss also includes the rationalisation of Sega's US operation and a write-down on unsold stocks of its 16-bit game machines.

Sales of its 16-bit systems have fallen sharply since the introduction last year of the 32-bit Sega Saturn format.

Sega also warned that recurring group profits would fall to Y5bn – excluding the extraordinary loss – in the year to the end of March, from Y12.8bn last year. This will be its third successive year of profits decline.

In spite of its difficulties in Europe, Sega is faring well with games in Japan, amusement arcade machines and the SegaWorld miniature theme parks.

So far the 32-bit Sony PlayStation has out-sold the Sega Saturn. Durlacher Securities in London estimates Sony has sold almost 4m systems, against fewer than 3m Saturns. Both 32-bit systems will face fresh competition next autumn when Sega's arch-rival Nintendo launches the Ultra 64, its 64-bit system.

The longer-term trend in the games market is towards on-line formats which allow consumers to access games software developed by companies such as Sega and Nintendo on their computers and pay to play with it for fixed periods.

Sega's decision to streamline its European operations was interpreted by analysts as the start of a strategic switch to concentrate on games software and SegaWorld.

The group is moving its European headquarters to smaller premises in London and reducing its workforce in Europe from 300 to 125. Some of Sega Europe's former employees in London will be transferred within the capital to the SegaWorld complex due to open in July at the Trocadero, Piccadilly Circus.

The streamlined Sega Europe will continue to handle sales of the group's games in the UK, France, Germany and Spain. In other European countries it will sell through independent agents.

Centre-right leader José María Aznar greeting Popular party supporters at the start of his electoral meeting in Madrid ahead of Spain's general election on Sunday. Polls predict he may oust Socialist Felipe González as prime minister. Aznar rides high, Page 3 — Picture: Reuter

Tokyo agrees to extend music copyright

By Michiyo Nakamoto in Tokyo and Alice Rawsthorn in London

Japan has agreed to amend its copyright property rules on recorded music following complaints to the World Trade Organisation by the US and the European Union.

The Japanese Agency for Cultural Affairs has started proceedings to extend copyright protection for record companies and performing artists back to 1946 from the current date of 1971.

The changes will bring Japanese law into line with legislation in the US and EU and will enable western record companies to collect royalties on 1950s and 1960s recordings including those of Elvis Presley, the Beach Boys and the Beatles.

Both the US and the EU had initiated dispute settlement proceedings at the WTO over copyright, claiming Japan was in breach of internationally agreed intellectual property rules.

Japan is the world's largest recorded music market after the US. Some $5.93bn worth of singles and albums were sold there in 1994, according to the International Federation of the Phonographic Industry, representing nearly 17 per cent of the $35.5bn global music market.

Local repertoire absorbs a high proportion of sales, but Japan is also a lucrative market for western record companies with "golden oldies". Western record companies have been losing substantial sums of money because of their inability to claim royalties on recordings made between 1946 and 1971.

The US trade representative has estimated that the US music industry alone loses roughly

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US West reinforces cable business with $11bn merger

By Christopher Parkes in Los Angeles

US West, the fast-moving communications group, plans to promote itself to the elite ranks of the US industry through an agreed $11bn stock-and-cash merger with Continental Cablevision.

The link between the aggressive "Baby Bell" regional telephone company and one of the few pure cable TV specialists still operating independently, marks the start of a renewed, widely-expected consolidation in the US communications sector.

US West will pay between $1bn and $1.5bn cash and offer shares to an aggregate value of $5.3bn for all outstanding Continental stock. It will also assume debts of up to $5.5bn. The deal greatly reinforces US West's cable business which consists of a relatively small wholly owned network and a 25 per cent stake in Time Warner Entertainment, which claims 11.5m subscribers.

Mr Gerald Levin, chairman of Time Warner, one of the world's biggest entertainment and media groups, underscored the move's importance by immediately issuing a statement that the merger, involving two companies with which it has close bonds, could lead to further "affiliations" between the three groups.

This unusual intervention from a company not directly involved suggested that, despite a bitter legal battle with US West, Time Warner is eager to keep commercial relationships intact.

The merger announcement followed implementation of legislation stripping away the remnants of telephone companies' monopoly powers and coincided with the emergence of new competition for domestic and business users from direct broadcast satellite (DBS), "wireless cable" and other data delivery systems.

Both developments had been expected to promote closer bonds between cable television and telephone concerns which, together, have direct wire or optical fibre connections to, or close to, most US homes and businesses.

Mr Chuck Lillis, president and chief executive of US West Media, said the merger marked the "defining day" for the company, which had set out three years ago its plans to evolve into a combined cable/telephone operator.

The agreement will add further to the ferment in the wider communications industry where telecoms, broadcast, cable, satellite, microwave and print media and entertainment groups are jockeying energetically.

The group's main interests in telecommunications include more than 25m customers in 14 western and mid-western states.

Continental, the third-biggest cable provider in the country, has 4.2m US customers and passes more than 7m households. It also owns a 10 per cent stake in the fast-growing PrimeStar satellite television company.

PrimeStar, in turn, is part-controlled by Tele-Communications Inc, the biggest US cable group

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Cable adverts to cost $18.5m, Page 7; Lex, Page 12

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Road to European integration paved with political problems

Discord on measuring EU's markets

By Gillian Tett, Economics Correspondent

A deep dispute has emerged between European countries about how they should measure financial markets in the future single currency area.

The problem has emerged as the European Monetary Institute, the forerunner of a future European Central Bank, seeks to find a common system of meaauring financial flows across the European Union.

Figures on cross border transactions and holdings are deemed essential for calculating balance of payments data for setting future monetary policy. But differences have emerged between the UK and countries snch as Germany which operate very different systems of measurement.

Countries such as Germany insist the UK's current method for measuring financial flows would be inadequate for a single monetary policy. The UK fears a Continental system would significantly raise reporting requirements for UK-based banks and other financial institutions. A senior UK official said: "If we tried to introduce this system we would have a revolt on our hands. London's financial markets are just so complex we can't demand this kind of detail."

The issue revolves around the qnestion of how transactions and holdings of securities and other financial instruments are recorded.

In snch countries as Germany, information is collected by banks each time a transaction in aecurities or other financial instruments takes place. This allows the banks to submit monthly data on money flowing in and out of the country.

In the UK, information on financial flows is primarily collected through quarterly surveys by the Bank of England and the Central Statistical Office.

UK monetary authorities insist it is difficult to collect more detailed information because London's financial markets are far larger than those in continental Europe.

The Bank of England and the CSO have offered to estimate monthly trends from existing quarterly figures. But continental countries are demanding genuine monthly data.

One way to avoid the problem would be to assume that the UK will be ontside the single currency. However, since changing the statistical system is likely to take several years, the EMI is relnctant to exclude the UK from the harmonisation process as long as there is any chance it will wish to join a single currency in the future.

Paris and Bonn agree EU foreign policy opt-out pact

By Peter Norman in Freiburg

France and Germany yesterday reached a compromise designed to allow the European Union to take more decisive action in foreign and security policy issues while allowing member states to opt out of specific military and policing decisions.

After a special meeting of the two countries' foreign and European ministers to help prepare for next month's start of the inter-governmental conference on developing the EU, France and Germany issued four pages of guidelines enshrining the idea of "constructive abstention" in any future EU common security and foreign policy.

Constructive abstention means no EU member state would be obliged to provide national forces for joint European military and police actions against its will.

On the other hand, any member state that felt unable to take part in such joint action would be unable to hinder the others. The abstaining country would be expected to show solidarity with the other EU states through political support for any action and financial contributions channelled through the EU budget.

Yesterday's Franco-German agreement, a month before the IGC opens in Turin, papered over a division between Germany, which has sought the greatest possible extension of majority voting in EU affairs, and France, which has been especially reluctant to move down this path in foreign and security matters.

Mr Hervé de Charette, the French foreign minister, said the formula agreed yesterday would permit the EU to take decisions which currently were blocked by the need for consensus. Mr Klaus Kinkel, the German foreign minister, hailed the result of the meeting as a sign that Franco-German co-operation continued to be the "motor of European integration".

A key preoccupation of the two sides has been to improve the EU's decision-making capacity in anticipation of its expansion to include new members from southern, eastern, and central Europe, which could lift overall membership from 15 to nearly 30 countries.

The joint paper refined the two nations' approach to the proposed joint foreign and security policy of the EU.

It said that in the medium term the two countries wanted to merge the Western European Union, Europe's security body, into the European Union. In the meantime, the European Council of Ministers ahould have the competence to decide common foreign and security actions which the WEU would carry out on behalf of the EU.

It also said the European Union Treaty should include a "solid political solidarity clause" by which all members could expect to be defended by the union. Bnt with an eye to the current dispnte between EU member Greece and non-member Turkey, in which some EU nations have found it difficult to rally fully behind Greece, the paper said solidarity should take account of the legitimate interests of individual member states. Mr Kinkel said solidarity should be a "two way street" implying that EU members could not expect support for unreasonahle behaviour.

The statement called for the creation of a joint planning and analytical unit to help the secretariat of the EU council of ministers achieve the necessary coherence in drawing up policies.

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EU inflation data difficult to harmonise

By Gillian Tett, Economics Correspondent

The European Union's first set of common inflation figures, to be published tomorrow, will exclude key areas of consumer spending because member states have so far failed to agree a common way to measure prices.

Commission statisticians have been forced to publish the preliminary data to allow the Commission to make initial judgments this year on which EU countries will be eligible to join the single currency.

However, with the quality of the data uncertain, the inflation figures could prove politically sensitive – some countries are unlikely to meet the convergence inflation criterion, and the data are likely be at odds with national figures.

In particular, the new figures are likely to show inflation in such countries as Italy, the UK and Denmark higher than their national figures.

The figures published tommorrow represent an interim solution to a problem which has bedevilled statisticians over the past two years.

The Maastricht treaty stipulated that one criterion for entry into a single currency was that a country's inflation rate should be within 1.5 percentage points of the lowest three rates in the EU in the 12 months before entry into the single currency.

Member states measure inflation in different ways, so Eurostat, the EU statistical office in Luxembourg, started work on harmonising inflation data.

Some politicians had hoped that harmonised data would be available by this year. Some progress in harmonisation has been made, but member states remain at odds over some areas of inflation methodology.

Even the more harmonised data Eurostat plans to produce by the start of 1997, so final judgements abont the Maastricht criterion can be made, are likely to exclnde some areas. Housing costs, for example, are proving controversial because some countries, such as Germany, primarily measure rental costs, while the UK focuses on mortgages.

These changes could prove sensitive, as some countries are unlikely to meet the Maastricht criterion

This week's preliminary data have been created by excluding all areas of spending which are controversial – inclnding owner-occupier housing costs, insurance, health care and foreign holidays. Cutting out these elements result in significant changes in the figures.

Kleinwort Benson, a member of Dresdner bank, for example, calculates that German inflation will be only 1.3 per cent in January according to the EU data – compared with 1.5 per cent in national figures.

Italian inflation, by contrast, will rise to 5.8 per cent in January, from 5.5 per cent in the national data.

Meanwhile, UK inflation could rise to 3.2 per cent, from the official level of 2.8 per cent. This is because owner-occupier housing costs and insurance prices – which are excluded from the data – have been falling in recent months.

The scale of these changes could prove politically sensitive, given that some countries – such as Italy – are unlikely to meet the Maastricht criterion.

Some observers believe the impact of the different methodologies could be even larger.

A recent Franco-German study, for example, showed that German inflation would have been as much as 0.8 per cent lower in 1992 and 1993 if it had been calculated according to French methods.

As Mr Francois Lequiller, of the French government statistical service INSEE says: "Our study with the Germans shows the scale of Eurostat's problem – a 0.8 percentage point difference is very significant when the Maastricht criterion is focused on a 1.5 percentage point band."

Nevertheless, Mr Lequiller insisted that Eurostat's preliminary data would still be valuable. "We need to be realistic – these figures are useful because they drive the harmonisation process on."

Extradition dispute adds to problems

By David White in Madrid

Spain has raised the stakes in its argument with Belgium over extradition by warning that the issue could undermine the planned revision of the European Union's Maastricht treaty.

Mr Carlos Westendorp, foreign minister, said on Spanish radio yesterday that EU states must stop providing legal loopholes for terrorist suspects through the notion that some offences were "political".

"If this does not happen, there will be no revision," he said, referring to the intergovernmental conference on the future of the EU, due to be launched in Turin on March 29. Mr Westendorp last year chaired the gronp preparing for the conference.

The Spanish government is angered by the release from custody in Belgium of a Spanish conple wanted on suspicion of helping Basque Eta terrorists. The release followed a decision by the Belgian council of state to block an extradition order against the couple, sought by Madrid since 1993.

By threatening a veto, Madrid is hoping to mobilise stronger support among other EU members for the elimination of barriers to extradition within the union. Its tough position partly reflects a public outcry over recent Eta killings, as well as the imminence of general elections next Sunday.

Prosecution lawyer Eric Ostberg (centre) discusses the case of Milan Martic (left) yesterday in The Hague with fellow prosecutor Gregory Kehoe of the US (right)

UN war crimes tribunal hears of Zagreb bombing

By Laura Silber in The Hague

In a rare public hearing yesterday, the UN war crimes tribunal was told how Mr Milan Martic, the rebel Serb leader from Croatia, ordered a cluster bomb attack on the heart of Zagreb last May which killed seven people.

But the dock was empty for the one-day session. The only sight of Mr Martic was on video from Bosnian Serb television. The tribunal watched the stocky former police inspector with a clipped moustache proclaim that he had bombed Croatian cities.

"What the Croats have down is a crime … As a countermeasure we have bombarded all their cities … it was done for you," he said after Croatian army forces had launched their lightning offensive against western Slavonia, then part of the self-styled Serb republic of Krajina.

But Mr Eric Ostberg, the Swedish prosecutor lawyer, said the Orkan rocket attacks on May 2 and 3 1995 were not reprisals. "It was a terror retaliation and it was unlawful."

The tribunal has no power to convict 50-year old Mr Martic, who lives in Banja Luka, the Bosnian Serb town – it cannot convict anyone in absentia. The hearing was held under Rule 61, which gives the victims a chance to testify and can issue an arrest warrant.

Mr Martic said in a statement yesterday that he did not regard the Hague tribunal as legitimate. It was a political court being used to "defeat and humiliate" the Serbs.

The hope behind the public hearing is that it will step up pressure on Serb leaders to extradite Mr Martic.

● The UN Security Council yesterday announced the suspension of UN economic sanctions against the Bosnian Serbs. Ms Madeleine Albright, Council president, said that as the Serbs had complied with military requirements specified in the Dayton peace agreement, the sanctions were suspended with immediate effect.

EU to examine state aid to problem regions

By Emma Tucker in Brussels

Fears that state aid to "problem" regions in the European Union is leading to severe distortions of competition have prompted a thorough examination of regional aid rules by industry experts from the member states.

They are worried that the combination of European, national and local schemes in disadvantaged areas such as eastern Germany and southern Italy is leading to such an escalation of aid that the single market is being undermined.

Further, the bulk of regional aid benefits big, capital-intensive projects. Although this pnts competitors from non-aided regions at a disadvantage, the aid is immune from examination under regional rules.

Another key concern is that the Union's richer countries spend significantly more on state aid, often through regional assistance, than the poorer southern countries.

"The poor countries are losing out. They simply can't compete," said an industry executive in Brussels.

At a meeting in Brussels yesterday top officials from the member states met to address the issue, with a view eventually to drafting a new framework on regional state aid that would apply clear rules to all sectors of industry and services.

It is hoped that such a framework would enable the Commission's competition services to examine the interface between state aids and regional policy more closely and end distortions of the single market.

Under existing EU rules, regional aid is permitted to encourage companies to invest in disadvantaged areas. In general, the aids are designed to provide a financial stimulus to investors that tilts the balance away from the region's structural disadvantages.

A discussion paper prepared by the Commission points out that in many cases a large-scale investor is usually considering alternative sites in different member states and "this may lead to a spiral of generous promises of aid".

"In assessing large-scale projects, a balance must be struck between the requirements of regional development and the need to avoid undue distortions of competition within the internal market," says the document. "An undue distortion occurs when the advantages of the aided project for the region concerned are outbalanced by the adverse effects for unaided competitors located in other parts of the European Economic Area."

Most member states agree with the Commission's objectives. However some, such as Germany, are likely to tread carefully in drawing up new proposals, for fear they might interfere with the reconstruction of east Germany..

France urged to reorganise its public services

By David Buchan in Paris

France is engaged in a false doctrinal quarrel with Brussels over the future of its public services, but must reform and improve them to match liberalisation elsewhere in Europe.

This is the thrust of a report from a high-level expert committee handed to French Prime Ministar Alain Juppé yesterday. It comes as the government is struggling to find ways of privatising France Télécom and of altering the monopoly of Electricité de France without provoking a union backlash.

The 12-person committee, chaired by Mr Renaud Denoix de Saint-Marc, a senior civil servant, was asked by Mr Juppé last year to define the concept of "public services à la française" which the prime minister had pledged to defend in Brussels.

The widespread French fear is that privatisation, even competition, would introduce inequalities of service, tariffs and access into public services that are rated highly.

The report says the French "doctrine" of impartially-administered universal pnblic services to which all citizens should have equal access is broadly reflected in European Union treaties and jurisprudence. It concedes it "would be useful" to write these principles more clearly into the EU treaties, perhaps at the intergovernmental conference that starts next month, or into a EU Council of Ministers declaration.

This is hardly the major EU constitutional revision that Mr Juppé seemed to be seeking, when he backtracked from his promise on nationwide television in December to entrench the French concept of public service in France's own constitution – one of his peace overtures to end that month's devastating strikes.

As to the organisation of French public services, the report calls for more competition. Far from being a constraint, Europe can "contribute to triggering changes which in the long run will benefit the entire country".

Given the fundamental contribution public services can make to an economy's competitiveness, restructuring could "create eventually more jobs in the rest of the economy than are abolished within the [public service] operators".

Such organisational reforms will not be easy, the report warns, and will require "considerable political courage".

Urging a flexible sector-by-sector approach, the Saint-Marc report suggests "a very competitive" structure for telecommunications, made inevitable by the rapid innovation in alternative infrastructure that can bypass national monopolies. However it also suggests the maintenance of "a considerable degree of monopoly" in the postal system which, for instance, has to carry out unprofitable mail delivery to rural communities.

The report suggests independent regulatory bodies to supervised deregulated sectors – a possibility already being studied in the context of the planned privatisation of France Télécom.

But Mr Juppé has still not announced the new regulatory framework for telecommunications that he promised to decide by the end of January. According to some reports, he is wrestling with objections from his industry and telecommunications ministers who do not want their role diminished hy a new agency.

The prime minister's office yesterday minimised these ohjections and said France would meet its commitments to the European Commission and to the US to have the new framework in place by July 1.

Dini hampered by political scrutiny

Decision to form a party has made life difficult for caretaker PM, says Robert Graham

The decision by Mr Lamberto Dini to form a political party and fight the fortbcoming general elections has placed him in a delicate position as caretaker prime minister.

In agreeing two weeks ago to remain prime minister following the dissolution of parliament, Mr Dini was careful to ensure he had the strongest possible mandate.

But having entered the election campaign as an aspiring politician, the former director-general of the Bank of Italy will be undar tight scrutiny for any hint of bias and self-advancement.

Sucb scrutiny is expected to limit his powers and act as a brake even on normal government business. During 13 months in office Mr Dini has proved adept at heading off conflict and is unlikely to want a confrontation with any of the parties.

The combination of two factors suggests the government risks being virtually paralysed until June – a good six weeks being allowed for the formation of a new administration after the April 21 general election.

The rightwing alliance, headed by Mr Silvio Berlusconi, the former premier, has been sharply critical of Mr Dini's move into the political arena at the head of an as yet unamed centrist group.

The alliance is angry that Mr Dini revealed his electoral amhitions – with his sights on becoming the prime minister after the elections – a week after he had agreed to remain as a neutral caretaker.

Despite Mr Dini's protestations of independence, the right sees him as linked to the centre-left which supported him in parliament over the past year. Furthermore, as prime minister, Mr Dini will enjoy an unfair high public profile every day, argue Mr Berlusconi and his colleagues.

This could be especially delicate when Mr Dini acts as host to other EU laaders at the opening of the intergovernmental conference in Turin at the end of March.

Mr Gianfranco Fini, leader of the rightist National Alliance and the most overtly critical of Mr Dini, yesterday warned the prime minister not to tamper with any legislation, especially that concerning media coverage of the elections.

Mr Fini also warned him against making appointments to sensitive posts in the administration or state-controlled companies. Between now and May a number of important appointments come up for renewal.

These include the boards of Stet, the state-controlled telecoms group due to be privatised, Enel, the state electricity company also dne for privatisation, and Eni, the partially privatised national oil group.

In agreeing to remain prime minister two weeks after having formally resigned on January 12, Mr Dini was careful to ohtain the power to make such nominations.

In particular the power to make appointments at Stet, Enel and Eni is essential both for the nature and pace of privatisation.

It is also important that the government try to broker agreement on the nomination of people to run the electricity regulatory authority, and work out the terms for a similar authority for telecoms.

But in the current climate any major appointment risks controversy. This makes lt unlikely that the Stet privatisation will be possible before the summer – considered the window of opportunity for international investors before being crowded out for the rest of the year by the prospective sell-off of Deutsche Telekom. IRI, the state holding company, has been relying on the Stet sale to reduce lts debts in line with agreements established in 1993 with the EU.

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Aznar rides high on strategy to shift right into the centre

To González's dismay, the leader of the Popular party appears to have won the middle ground, writes **Tom Burns**

SPANISH ELECTIONS
March 3

Against a montage of fascist-style rallies, snarling guard dogs and a polluted industrial wasteland, a Spanish Socialist party television election broadcast proclaims: "The right does not believe in this country ... it looks to the past and opposes progress ... It is not the solution, it is the problem." Another, shown on a Catalonia television channel, shows clips of former dictator General Franco directing a battle in the 1936-1939 Spanish Civil War. The narrator who does not mention any names, explains that "Spain has had experience of many rightwing governments ... and between 1939 and 1976 it endured a totalitarian dictatorship."

The two broadcasts reflect the view held by Mr Felipe González, the prime minister, who is trailing in the opinion polls for the general election to be held on Sunday, that the centre-right leader Mr José María Aznar has a secret agenda to undo the liberties and the welfare state built up by his 13-year-long Socialist administration.

Mr Aznar is well aware that his Popular party narrowly lost the last general election in 1993 because the Socialist party ran a similar scare campaign and because Mr González warned Spain's 7m elderly, nearly a quarter of the electorate, that their pensions would be slashed under a PP government. "They were using a single bullet gun then," he said later. "That was their final shot."

Convincing PP wins in the 1994 European parliament elections and in municipal and regional elections last year, together with the evidence of opinion polls for the general election suggest that Mr Aznar is right.

The PP leader is, however, leaving nothing to chance. The party's electoral platform is tough on law and order, especially where terrorists and drug traffickers are concerned but it also cares about individual freedoms and about the elderly and disadvantaged. Pensions, it promises, will remain indexed to inflation.

What is more important, Mr Aznar, who is looking increasing confident on the campaign trail, says that the PP is a "centrist" party that intends to "turn a new page" in contemporary Spanish history by leading tha "second transition". This is the sub-title of the book *Spain* in which Mr Aznar sets out his political principles.

The "first transition" was led, a year after Franco's death, by Mr Adolfo Suárez and the now defunct Union of the Democratic Centre (UCD) party by closing the chapter on the dictatorship and ushering in representative government.

Mr Aznar, who was still a law student when democracy was restored, believes it is time to take an equally important step forward by consigning what he calls "the years of Socialist abuse and misrule" to the history books.

Mr Aznar was first elected a member of parliament in 1982, the electioos that swept Mr González to power, as a member of the Popular Alliance, an unashamedly conservative party which became the main opposition to the Socialists after the collapse of the UCD.

In his book Mr Aznar says he realised as soon as he entered parliament that if the alliance, later renamed the Popular party, was ever to win an election, it had to recover the centre ground that in 1982 had been so ably courted by Mr González. His consuming political passion has been to moderate Spanish conservatism and to reshape the PP into a centrist party.

Soon after becoming leader of the PP in 1990, Mr Aznar contacted Mr Rafael Arias Salgado one of Mr Suarez's closest associates in the UCD years and a former cabinet minister. "Aznar told me what his project was," says Mr Arias Salgado, who has since become a member of the PP's executive and one of the party's chief strategists. "He wanted to promote younger people who had had nothing to do with Francoism and to bring about a generational renewal in the PP; he wanted to bring former UCD politicians into the party; he wanted to recover the UCD's message and the spirit of the transition."

Last month Mr Aznar hosted a PP natiooal congress that had all the enphoric trimings of a US party conveotion. The theme was "the centre wins" and a successioo of speakers hailed the value of the "centre". Mr Aznar was delighted: "I now have the party I like," he told the 3,000 cheering delegates.

The revamped PP combines Christian democrats and "one nation" conservatives, free market liberals and "stakeholder society" theorists, but Mr Aznar keeps the resulting hybrid on a tight rein.

Critics, especially the party veterans who fell foul of the generational renewal, say Mr Aznar is high-banded and has killed off internal debate.

"He chairs a round of opinions, sometimes cutting people off in mid-sentence and then makes his own mind up," says one victim of Mr Aznar's style.

Mr Arias Salgado, who has vivid memories of the internal party fighting that brought the old UCD down – and allowed Mr González's Socialists in – says that Mr Aznar is in "full command" of the PP and this is just as well. With only limited experience of democracy, domestic voters perceive too much debate to be evidence of divisions and "a divided party gets punished in the polls".

Mr Aznar's key achievement, however, has heen to educate the traditionalist Spanish right into realising that if it wants to get the Socialists out it has to forget its Franco-style authoritarianism because the silent majority in Spain has no truck with turning the clock back.

"What really brought the UCD down was that the conservatives couldn't swallow our reformist policies oo giving home rule to the regions, on tax and on religious issues such as divorce," says Mr Arias Salgado.

Mr Aznar has, at least so far, kept the conservatives behind him – there is no major party to the PP's right – although he promises to co-operate with regional governments, to clamp down on tax loopholes and to keep existing abortion legislation on the statute book.

Whatever Francoist images the Socialists might conjure np, the PP now looks to most observers like any other European centre-right party.

Aznar: 'the party I like'

EUROPEAN NEWS DIGEST

Tax raid on Commerzbank

German tax officials yesterday raided the Frankfurt headquarters of Commerzbank, Germany's third biggest bank, and three other branches seeking evidence of tax evasion through the transfer of funds to Luxembourg and other investment centres.

Some 200 officials searched the bank premises to see if bank employees had given positive assistance to German residents shifting funds abroad to escape Germany's high taxes. Other banks which have been targeted for this reason by German authorities include Dresdner Bank, Hypo Capital Management (HCM), which is part of Bayerische Hypotheken und Wechselbank, Merrill Lynch of the US and Norddeutsche Landesbank.

Commerzbank's involvement stems from the theft of a customer account list from its Luxembourg subsidiary by a consultant who tried to blackmail the bank. He was jailed for three years last October, and the list handed by police to tax investigators. It is not illegal for Germans to hold funds abroad, but earnings must be declared for taxation purposes. *Andrew Fisher, Frankfurt*

Boycott costs Bordeaux $200m

Bordeaux wine exports have been severely damaged by boycotts over French nuclear testing in the South Pacific and will take several years to recover, winemakers admitted yesterday. Mr Hubert Bouteiller, chairman of the CIVB industry body, said: "The scrapping from wine lists, the cancelling of orders and the postponement of sales promotions have had serious consequences for the weakest of the wine trade." Mr Francois de Chaxel, a wine trader who is also a CIVB official, estimated Bordeaux would suffer losses of at least FFr1bn ($200m). President Jacques Chirac has said that overall French exports have been unaffected by the boycott calls. The tests ended last month. *Reuter, Paris*

Russian bank wins nickel case

Russia's Oneximbank yesterday won an important legal battle in its efforts to assert control over Norilsk Nikel, the world's leading nickel producer, but it is still not clear if the Moscow financiers will win their war with the company's management. The Moscow Arbitrage Court yesterday rejected Norilsk Nikel's bid to have the sale of some of its shares to Oneximbank declared illegal. Oneximbank acquired a controlling stake in Norilsk Nikel last year, under Russia's controversial shares-for-loans programme. But the enterprise's Soviet era bosses have launched a political and legal battle to have the bank's shares revert to full government ownership.

Oneximbank officials hailed the court's decision as a victory. "Justice has triumphed," a bank spokesman said. "Now there is a possibility for legal and constructive work at Norilsk Nikel to begin." But, before the court's decision takes effect, the Norilsk Nikel management has a month in which it may appeal to a higher body. If it does so, the enterprise is likely to remain under the control of its existing management for some time. *Chrystia Freeland, Moscow*

Briton dies in Russian shoot-out

A British businessman visiting St Petersburg was yesterday killed by a stray bullet in one of the gun-battles which have become an increasingly common way of doing business in Russia. Mr John Hyden, 40, from the Edinburgh area, was hit when gunmen with sawn-off Kalashnikovs burst into the Vienna Cafe, a restaurant inside the Nevsky Palace, one of St Petersburg's top hotels. The intended victim was Victor Gavrilenkov, a director of a private company which police believe has gangster connections. He was wounded and is "stable" in hospital. Two police officers, acting as his bodyguards, died in the shoot-out.

Mr Hyden, a solicitor, was working with the European Bank for Reconstruction and Development but was not employed by it. *Chrystia Freeland, Moscow*

Belarus banks face takeover

President Alexander Lukashenko of Belarus has stepped up efforts to return banks to state control, pledging to renationalise the six biggest. Speaking to factory workers in Minsk, he said that "in the near future" the government would obtain controlling stakes in six banks: Belagroprombank, Belbisnesbank, Belpromstroibank, Belvneshekonbank, Priorbank an Sberbank BelarusBank.

Mr Lukashenko's economic policies have earned him the censure of western economists and the International Monetary Fund, which this month decided to postpone the second tranche of a $300m standby loan. But Mr Lukashenko appears unrepentant. He admitted breaking the law earlier this month by taking over the partially private Minsk Inter-bank Currency Exchange and said that ha must place the interests of his impoverished citizens before the law or international opinion. *Chrystia Freeland, Moscow*

Hamburg tops EU wealth league

The Hamburg, Brussels and Paris regions are the richest in the European Union while parts of Portugal, Spain and Greece trail badly, the EU's statistics office Eurostat reported yesterday. Hamburg was top of tha league for GDP per head with an index of 190 – almost twice the EU average (100). Brussels is second with 182 and Paris-Ile de France, which embraces the French capital and suburbs, comes third on 166.

The table, which is based on 1993 figures, puts Portugal's Alentejo and the Azores way behind the rest with an index of only 42. No region in Greece, Portugal or Spain reached the EU average although Spain's Balearics and Madrid came close with 99 and 97. Eurostat said the five new German länder, which were below the EU average in 1992, were above it in 1993. *Reuter, Brussels*

Belarus succumbs to Yeltsin embrace

By Chrystia Freeland in Moscow and Matthew Kaminski in Kiev

Russia yesterday drew neighbouring Belarus closer into its political and economic embrace as Russian President Boris Yeltsin sought to play on widespread public nostalgia for the Soviet Union.

The Russian leader and Mr Alexander Lukashenko, the fiery president of Belarus, signed an agreement on closer economic ties. Mr Yeltsin also promised to take a further step towards reintegration at the end of next month, when he said that the two Slavic states, together with the Central Asian republics of Kazakhstan and Kyrgyzstan, would sign a major co-operation deal.

Mr Yeltsin's move coincided with a visit to Ukraine by Mr Gennady Zyuganov, the Communist leader who is the front-runner in the contest for the Russian presidency. Less than four months away from the June 16 presidential poll, both politicians appear to have decided that a national longing for the now defunct Soviet Union could emerge as a potent campaign issue.

Mr Yeltsin said "life itself" was bringing Russia and Belarus closer together. In an expression of the increasingly intimate ties between the two states, their presidents reached a debt write-off agreement. The deal writes off Belarus' $500m bill for Russian natural gas in exchange for money Moscow owed its neighbour for the components of nuclear missiles which had been withdrawn to Russia and dismantled there.

But, as one of the three republican leaders who signed the Soviet Union's death warrant in 1991 by forming the Commonwealth of Independent States, Mr Yeltsin must tread carefully in raising the issue of recreating the USSR.

In an implicit defence of his own record and an attempt to distinguish his platform from tha communists', Mr Yeltsin said: "We are not creating the *Union of Soviet Socialist Republics* that the communists are dreaming about. We are strengthening closa links for the good of the peoples of Russia and Belarus."

In Kiev, Mr Zyuganov also tried to balance the vote-winning promise to rebuild the Soviet Union with assurances to Ukraine and tha west that, as president, he would not threaten Kiev's independence. Increasingly, western leaders, especially the US, have come to see a sovereign Ukraine as a vital guarantee against the re-emergence of a neo-imperialist Russia.

"Our relations should be close, friendly and strategic," Mr Zyuganov said. "There's a great desire to find a solution to the problems that have arisen recently. Without bringing together Belarus, Ukraine, Russia and Kazakhstan, it'll be impossible for any of us to improve our economic situation."

Ukraine's leftist opposition gave its Russian comrades a warm welcome. But both Mr Leonid Kuchma, the president, and Mr Evhen Marchuk, the prime minister, left Kiev before the communists arrived.

Mr Kuchma has openly backed Mr Yeltsin's bid for the presidency, but, on a visit to Washington last week he made clear that he hopes tha west will continue to support independent Ukraine even if it comes under pressure from a more nationalist, communist-controlled Kremlin.

Danes 'pricing themselves out of work'

By Hilary Barnes in Copenhagen

Denmark's generous welfare benefits pose "a clear danger of welfare dependency becoming ingrained in society", the Organisation for Economic Co-operation and Development warns in its annual survey of the Danish economy.

The OECD praises Denmark's "satisfactory position with regard to macro-economic fundamentals". But it questions the sustainability and efficiency of its welfare state and sees high structural unemployment of 9-10 per cent as evidence that "the underlying micro-economic balance of the economy may not be as healthy as the macro-economic one".

The current economic recovery is more soundly based than the early 1980s recovery, says the OECD. "In contrast to previous cyclical upturns, household and corporate financial balances have remained healthy, the domestic demand growth which has underpinned the recovery heing based on strong productivity and earnings growth."

The OECD nevertheless urges the government to do more to consolidate the budget position in view of the problems an ageing population will cause in the coming decade.

The report attributes high levels of structural unemployment – defined as not affected by cyclical recovery – to high minimum wages, which make it impossible for workers with low skills to price themselves into the labour market, and generous unemployment benefits, which the report says have removed the financial incentive to work for many.

The report notes that Denmark has a tax burden of 57.1 per ceot of GDP (at factor cost, 1992 figure), which is higher than in any other OECD country, and government spending, at 67.9 per cent of GDP, which is higher than in any country except Sweden.

In 1993 more than 57 per cent of the adult population received some form of welfare income, including almost 23 per cent who received benefits directly related to their job, either as unemployment compensation or early retirement benefits.

Denmark needs to proceed "with vigour" to implement a broad-based strategy to increase labour market flexibility if permanent inroads are to be made into unemployment, the report concluded.

The OECD also urged changes in the benefit system, the tax system and the wage structure to enable low-skilled workers to price themselves into jobs.

The short-term economic outlook is set fair, the OECD says, with forecast GDP growth of 3 per cent in 1996 and inflation at 2.5-3.0 per cent.

China reassures foreign investors on taxes

By John Ridding in Hong Kong

Chinese finance and trade officials yesterday sought to reassure foreign investors about the impact of tax reforms being implemented this year and claimed success for fiscal measures undertaken since 1994.

The unification of business taxes and the shift to a value added tax base had increased revenues while reducing the overall tax burden on companies, according to Mr Xiang Huaicheng, the deputy commissioner in the state tax administration.

He said monthly commercial and industrial tax revenues had risen from about Yuan18bn ($2.16bn) prior to the reforms, to more than Yuan30bn last January. The overall tax burden last year was about 5.6 per cent he said, compared with almost 7 per cent before the reforms.

The Chinese delegation visiting Hong Kong acknowledged concerns among foreign investors relating to the next phase of reform – the reduction of tax relief for exports, the suspension of exemptions or reductions in customs duties and VAT relating to imports of capital equipment, and tighter supervision of imports for processing trade facilities.

"In the course of implementation some foreign traders may find it difficult to adapt for the time being and may even suffer some loss of interest," said Mr Duan Mujun, deputy commissioner at the Chinese customs administration.

However, he stressed that benefits would result from the elimination of loopholes.

Foreign investors have expressed concerns about the extra administrative burden involved in the reforms and the increased cost of investment.

Partly as a result, there has been a sharp increase in project applications as foreign investors seek to win approval for projects before the introduction of reforms on April 1. "People have been rushing to catch the last train," said Mr Xiang.

Mr Albert Ng, managing partner of Arthur Andersen, the consultancy firm, said that the elimination of exemptions for imports of capital equipment would have an impact on investment calculations.

As an example, he noted that profits required to achieve a 15 per cent rate of return on a $10m total investment, with $8m of equipment, would be increased from $1.5m to $2m, as a result of the VAT and duty charges.

The result, according to Mr Ng, could be a slowdown in investment growth rates.

The Chinese officials stressed that such disincentives would be offset by a reduction in average duty rates from April, from 35.9 per cent to 23 per cent, and that attracting foreign investment remained a priority.

The Chinese delegation also sought to reassure the Hong Kong business community that the transfer of sovereignty next year would have no impact on trade and tax rules.

"The Chinese tax system will not cross the border," said Mr Xiang.

"The central government will not get a single cent from Hong Kong."

Foreign carmakers push Japan's opening door

Manufacturers are quick to benefit from customers' changing attitudes and cuts in technical regulations

Next to the office of Mr Mitsuru Sato, president of Volkswagen Audi Nippon, is a room full of charts, logging the progress of the Japanese arm of the German car producer.

The chart room, open to all employees, has been the focus of quiet celebration recently. Prominently displayed is a graph, adorned with a sticker of a smiling face, showing that VAN last year regained its position as the largest car exporter – by marque – to Japan, for the first time since 1991.

Sales had fallen from a peak of 55,000 that year to a trough 25,000 in 1993 after an acrimonious divorce from its former dealer, Yanase. According to Mr Sato's chart, sales picked up by around one-third to nearly 46,000 vehicles last year, and are continuing to grow in 1996.

The bulk of that recovery comes from the sheer grind of making up for the 254-dealer network lost with Yanase's departure.

But Mr Sato argues that the revival is also testament to a wider development: the partial opening of what used to be the most closed car market in the developed world, where foreign cars' Japanese market share has risen to 7.3 per cent part over the past five years, an increase of nearly 75 per cent.

He sees two main changes; a shift in Japanese customers' perception of foreign cars from unaffordable to affordable luxuries; and a substantial reduction in technical regulations from a government responding to US pressure.

The change in customer perception was at the heart of VW's divorce with Yanase. The dealer was alarmed at VW's ambitious plans to sell 100,000 cars in Japan by 1995, heresy to its own traditional high price and margin strategy.

VW has continued seeking a broader market since breaking with Yanase, but has had to delay its 100,000 target until the end of the decade. To bring its cars within reach of a wider market, VW, like other foreign producers, has cut prices by 15 per cent over the past two years, so that its Golf now costs an average of 6 per cent more than comparable Japanese makes, says Mr Sato.

Pricing remains a very sensitive issue, judging by the recent Ford advertising campaign alleging that the Golf was still overpriced in Japan.

But VW says prices are roughly the same or lower than in Germany. Consumers do not appear to be deterred by VW's prices, judging by the fact that 70 per cent of last year's sales were to people who previously bought Japanese.

The deregulation measure that benefited foreign car producers the most was permission, in March 1994, for importers to carry out their own tests for compliance with Japanese technical standards, rather than having to send cars to a government inspection centre.

This is much more than cost benefit. VW, like other importers, has to put imported cars through rigorous quality checks and improvements at its dockside pre-delivery inspection plant. These checks, which add on average 5 per cent to the price, are just to comply with consumers' demands.

Once bodywork and glass has been burnished to the smoothness of a new lacquer box, the cars are stored in a sealed 14-storey silo, lest exposure to weather produces miniscule blemishes. In the past, that extra exposure to open air for government inspection only complicated quality control.

Japanese consumers' passion for immaculate bodywork is clearly no barrier to trade, since all car producers must satisfy it.

As far as meeting official quality and technical standards, Mr Sato argues that Japan is now more or less in line with other leading car markets. Japanese consumers, by contrast, are still uniquely demanding, says Mr Hisashi Kawata, VAN's import and distribution manager.

But eventually, VAN hopes to carry out all pre-delivery inspection in Germany, and is is already running a training programme to bring cars up to Japanese consumers' quality standards.

But other barriers to foreigners do remain, says Mr Sato. The most important of these is the high cost of land. This is little problem for companies such as Toyota, for example, most of whose 5,000 showrooms were long ago depreciated in its accounts, but serious for newcomers who have to buy property from scratch.

VW is bigger than most importers with a mere 183 showrooms, split between its own chain of dealers called Fahren, mostly franchisees, and a second called Duo, managed by Toyota.

"For this reason, newcomers will always face difficulties," says Mr Sato. Even after the 60 per cent fall in property prices over the past five years, he believes foreign car companies are unlikely to increase their Japanese market share much beyond 15 per cent, achievable by 2000.

The other barrier he cites is cultural; the shortage of senior Japanese executives prepared to take the risk of working for a foreign company.

To achieve his 100,000 cars per year target, Mr Sato expects to take on extra management.

So far, however, Japanese executives have been less easily seduced by European car companies than consumers.

William Dawkins

Ford yesterday said it expects to increase its car sales in Japan with a new model – a US-built Taurus with right-hand drive and features specifically for the Japanese market, Reuter reports from Tokyo.

The Taurus, which comes off a line at Ford's plant in Atlanta, Georgia, went on sale in Japan yesterday at prices from Y2.49m ($23,700) well below Japanese brands in the same class. Ford Japan president Konen Suzuki said the company expected to sell 13,500 new Taurus saloons and estate cars this year, a key to hitting his goal of selling 35,000 imported Ford cars in Japan for 1996.

Ford said it made about 185 styling changes to the Taurus for the Japanese market to the interior and body. Other imported Ford models include the Mondeo and Mustang.

Eastern European cars, Page 11

WORLD TRADE NEWS DIGEST

WTO telecoms deadline stays

The chairman of World Trade Organisation talks to liberalise the $500bn a year international telecommunications market yesterday ruled out any extension of the April 30 deadline.

Mr Neil McMillan said the talks were at a critical stage but he believed there was now enough momentum to reach a deal by the target date. Some countries favour an extension to allow more time for complex negotiations on regulatory disciplines for liberalised telecoms markets. But others fear a delay would cause the telecoms talks to become damagingly intertwined with slow-moving WTO negotiations on maritime transport due to end in June.

Washington has already made clear it does not want an extension of the deadline. Three more countries – Brazil, Israel and Poland – have submitted telecoms liberalisation offers this week, bringing the total to 22 among the 35 full participants in the talks. *Frances Williams, Geneva*

EU confident on S Africa pact

The European Commission yesterday expressed confidence that agreement on a mandate for a wide-ranging trade pact with South Africa was within sight despite the failure of EU foreign ministers to agree terms for the pact on Monday night.

Foreign ministers failed for the third time to iron out differences on the terms of the accord which had become bogged down in broader EU disagreements over the creation of free trade areas.

France, in particular, has been concerned whether the deal will be compatible with World Trade Organisation rules and the possibility that it could prompt countries with existing agreements to demand the EU match the terms agreed with South Africa.

A Commission official said that the South Africa dossier was "no longer linked to other future FTAs or with similar agreements with other partners". He added that the ministers had agreed the "basic architecture of the deal". However, the question of an exclusion list of "sensitive" products remains unresolved. *Caroline Southey, Brussels*

Ruggiero backs corruption drive

Mr Renato Ruggiero, director general of the World Trade Organisation, yesterday gave his backing to a US proposal for the WTO to tackle corruption in government procurement contracts. In a letter to Mr Ruggiero last week, Mr Mickey Kantor, the US trade representative, asked for the issue of bribery and corruption to be put on the agenda for the WTO's first ministerial meeting in Singapore in December.

Washington has said corruption is the biggest non-tariff barrier to trade, with losses to US companies running into billions of dollars. US groups are forbidden to offer bribes to win business at home or abroad. *Frances Williams, Geneva*

■ Telecel International of the US has obtained a communications licence for Zambia to build a digital cellular network, including domestic and international transmittal facilities. Telecel International will build the network using the latest wireless technology – CDMA (Code Division Multiple Access). *Foreign Staff, London*

■ Motorola of the US has won a $225m contract from China's Ministry of Posts and Telecommunications to provide cellular communications equipment. The equipment is expected to be deployed throughout China by the end of 1996 but will provide services primarily in the Zhejiang, Sichuan, Fujian, Henan and Jilin provinces. *AFX News, Arlington Heights*

S Africa approves economic targets

A South African intergovernmental forum ended a two-day meeting yesterday by setting out a new range of targets for economic development over the next 10 years. A policy document, due to be completed in April, will set an annual growth target of 6 per cent by 2000, and creation of 500,000 new jobs a year, writes Roger Matthews in Johannesburg.

Mr Thabo Mbeki and Mr F W de Klerk, the two deputy presidents, said the work of the forum had to be seen within the context of President Nelson Mandela's recent call for a "new patriotism".

Mr Mbeki, who is taking an increasingly prominent role in co-ordinating economic policy, said a preliminary analysis showed that to reach the 6 per cent growth target by 2000, non-gold exports would have to rise by 10 per cent a year, and be accompanied by substantial private and public sector investment.

He also said the government aimed to provide municipal services to all South Africans by 2005, and double the share of national income received by the poorest 40 per cent of households.

"But we cannot hope to achieve the kind of development and economic growth we need unless we discard the mentality of 'business as usual', unco-ordinated government programmes and practices, and lack of willingness to sacrifice and make hard choices," Mr Mbeki said. "Unemployment (at 33 per cent) has become the single greatest problem facing our country, and is an obstacle to sustaining service delivery and preventing crime."

He identified tourism as an industry with enormous potential for creating jobs, but which had been slow in developing concrete strategies. "Tourism accounts for just 2 per cent of gross domestic product compared with 6 per cent worldwide, and only 4 per cent of employment compared with 8 per cent," be said. Mr Mbeki added that by reaching international levels the tourism industry could create an additional 430,000 jobs.

Iranians set to vote with meaning

Robin Allen on election without a known outcome

Campaigning begins tomorrow in what most observers agree will be Iran's first parliamentary election since the revolution in 1979 the outcome of which cannot be predicted.

And the result, when it is known after polling on March 8, is being viewed as the verdict of the 40m voters on President Hashemi Rafsanjani's economic policies and a pointer to presidential elections next year.

All candidates for the elections to the 270-seat *majlis* have to satisfy the state Supervisory Council, a body composed partly from the Council of Guardians and partly from interior ministry officials, that they are committed to all the features of the Islamic republic.

However, "for the first time in Iran's post-revolutionary history of *majlis* elections, no-one can predict the outcome", said Mr Bijan Khajehpour, a Tehran university lecturer.

Voter dissatisfaction is dominated by inflation and the increasing difficulty of "making ends meet". State ideology, totally dominated by the clergy, is not called into question, but the ability of the clergy to modernise the economy is very much in doubt.

One Iranian commentator believes the poll "could be the starting point for the collapse of the clergy's dominance of the Iranian political scene".

Inflation last year is officially put at 54 per cent, whereas the annual increase for an average public sector salary – about IR350,000 per month (£76 at the official rate) – is pegged at 20 per cent.

Rafsanjani: would need parliamentary support for economic changes diplomats believe be wants

Reuter

Much of the inflation is being felt in soaring rents and rising prices of basic household and consumer durables. The price of a car tyre, for instance, has risen 17 times since 1989. Even foodstuffs, such as rice, bread, cooking oil and sugar, as well as gasoline, which are heavily subsidised, have risen sharply. The price of rice, for instance, has risen four times since 1989.

Western diplomats believe Mr Rafsanjani would like to change both economic and foreign policy if he had the necessary parliamentary majority. But he would also need a new and more modern personality in the powerful position of *majlis* speaker.

The complexity of the political equation is made more opaque by the influence and views of Iran's spiritual leader, Ayatollah Ali Khamenei, who, observers believe, would rather have a president without the driving force of either Mr Rafsanjani or the parliamentary speaker, Hojjatolislam Ali Nateq Nouri.

"The only political philosophy," said one businessman, "is Islamic. It covers everything – and nothing. In terms of economic development, no one knows what the 'Islamic' label means."

In the presidential elections next year Mr Rafsanjani is barred by the constitution from standing for a third term. However, a favourable showing by the more "modernist" and "technocratic" groups which he is widely seen to represent, could, according to Iranian and other analysts, pave the way for a like-minded president to be elected.

The main grouping contesting the parliamentary elections is the JRM (Jame'-e-Ruhaniyat-Mobaraz or Assembly of Combatant Clergy), which loosely speaking, holds a majority of 150-160 members in the outgoing *majlis*. At present, observers agree, parliament "has a clear right-wing majority".

JRM adherents favour economic restructuring in favour of the private sector and away from massive state controls. The group is also said to favour more contact with foreign countries, including the US, subject to the cessation of what is seen as US interference in Iran's affairs, as well as other sweeping conditions.

While JRM represents an old-fashioned conservatism epitomised by the speaker Mr Nateq Nouri, it is joined on economic matters by a "modern right", a faction of 40-50 more technocratic-minded MPs, who want to create conditions that would favour the international investment Iran desperately needs.

The balance is represented by a leftist-orientated group, known as the MRM, or Association of Combatant Clergy, who reject any "interference" from the World Bank, the International Monetary Fund or any other foreign financial institution and wants further state economic protection.

But the MRM is boycotting the elections because it feels the bias of the country is so against its views that it is not worth contesting the poll. This leaves the way free for the JRM group and a recently formed faction, known as the G-16, so called from the original number of its members.

Subject to state approval, the G-16, mostly younger and in some cases more modern-minded technocrats, will run a list comprising a minimum of six of their original 16 members and other like-minded independents.

The best know among the six are the central bank governor, Mr Mohsen Nourbakhsh, and Tehran's mayor, Mr Gholamhossein Karbaschi, who is considered as a possible presidential candidate next year.

UN body urges action on laundering

By Ian Hamilton Fazey

The international community has failed to take any concrete steps to co-ordinate the fight against money laundering effectively, the United Nations International Narcotics Control Board says in a report released today.

More than a third of the UN's 185 members have yet to sign the 1988 treaty, which is supposed to co-ordinate international efforts, while many signatory nations have not yet fully implemented the laws and controls to make it work.

The board – which authorises controlled, legal production of drugs such as opium and its derivatives for medicinal use and monitors illegal production and drug abuse – says criminals have been able to move their laundering to countries with unregulated or poorly supervised financial sectors because of the disarray. Eventually the drug money involved gets into the legitimate world economy.

To fight this more effectively, the board also wants deeper involvement by the financial industry and associated professionals – as well as people selling luxury goods – in spotting suspicious transactions.

The report says illegal drug producers and traffickers are not only using legally established shell or front companies to do their laundering, but also "ghost" companies, which exist in name only and have never been registered or incorporated. Ghost companies appear in shipping documents and fund transfer orders as consignees; freight forwarders or other third parties to conceal the ultimate recipients of illicit funds.

The board recommends that all countries sign the 1988 UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and amend their laws to implement it, including laws against money laundering and giving courts powers to confiscate traffickers' property. The convention puts the burden of proof regarding lawful origin of assets on defendants.

In addition, financial institutions should be obliged to report suspicious transactions to a specialised international body. The board says UN members should then consider extending this reporting system to individuals such as "professions engaged in financial activities and persons engaged in the sale of expensive goods".

Company law should also be amended to make ownership and beneficial control more transparent, the board says. It also wants an international worldwide system set up for reporting seizures of the proceeds of trafficking and for governments to agree to share the proceeds and plough some back into anti-drug agencies.

It points out that although the 1988 convention encourages some of these proceeds going to such agencies, no such contribution have yet been made to the UN Drug Control Programme, which is now cutting staff because of the UN's general funding crisis.

INTERNATIONAL NEWS DIGEST

Lebanon army to curb protests

Lebanon's government yesterday ordered the army to take a special role in safeguarding security and stop demonstrations for the next three months. Prime Minister Rafik al-Hariri announced the measure two days before trade unions were due to stage a general strike and demonstrations to demand more pay and to protest against what they say is government encroachment on liberties.

Bread riots during a general strike on May 6 1992 toppled then prime minister Omar Karami during a period of currency collapse and soaring inflation. "The country will not return to a state of chaos not for one single hour... We will not allow the government to be toppled from the street," declared Mr Hariri, a billionaire tycoon in office since October 1992 with a mandate to rebuild Lebanon.

Unions immediately said they were pressing on with the strike and demonstrations and accused a "scared" Mr Hariri of trying to create a problem between the army and the people. The government's decision puts General Emile Lahoud, commander of the 50,000-strong army, in control of internal security forces totalling another 50,000 men.

Some 30,000 Syrian troops stationed in Lebanon since the mid-1970s have helped to restore security since the 1975-90 civil war ended, but there was no indication that they would play any additional role after yesterday's decision. The unions want a 76 per cent pay rise and a 100 per cent increase in the L£250,000 (£102) monthly minimum wage. *Reuter, Beirut*

Iraqi oil talks to resume

Talks on the possible sale of up to $2bn worth of Iraqi oil, mainly to pay for food and medicine, will resume in New York on March 11, the United Nations said last night. The first round was adjourned on February 19 without formal accord between the UN and Iraq but with signs of progress after 15 days of intensive talks on terms Baghdad must observe under a Security Council resolution adopted last April.

Mr Boutros Boutros Ghali, UN secretary general, reported to the Security Council afterwards that he considered that by entering talks Iraq now had accepted the resolution, which it previously rejected. Ms Sylvana Foa, the UN spokeswoman, said last night that the level of representation for the new round of talks was not yet known. A senior Iraqi diplomat at the UN's legal counsel led their respective delegations in the initial talks. *Michael Littlejohns, UN Correspondent, New York*

Cuban doctors arrive in SA

Ninety-six Cuban doctors arrived in Johannesburg yesterday on three-year contracts to alleviate critical shortages of staff at South African state clinics and hospitals. Accompanied by Mr Jorge Antelo, Cuba's deputy health minister, the doctors are the first batch of a total of 114 who have been signed up to South Africa as part of an agreement between the two countries.

Most of them will work in isolated rural areas where the shortage of primary health care is most acute. South Africa appealed for assistance from Cuba last year amid a growing shortage of doctors, who are being lured into the private sector or abroad after receiving state-sponsored training in South Africa. Differences between health care in the two countries is stark. Cuba has 56,000 doctors and a doctor-to-patient ratio of 1 to 200, compared with a ratio of 1 to 2,000 in South Africa where there are 43,000 doctors.

"This is an extension of the friendship started during our struggle," Mr Nkosazana Zuma, South Africa's health minister, told journalists, referring to Cuba's support for the anti-apartheid movement. *AFP, Johannesburg*

NEWS: THE AMERICAS

Abortion not jobs draws voters to Pat

By Jurek Martin in Washington

Mr Pat Buchanan has tripled his support among Republican primary voters over the last month, according to a national opinion poll published yesterday.

The New York Times/CBS survey found him still trailing Senator Bob Dole, the majority leader, by 39-25 per cent, with 12 per cent preferring Mr Lamar Alexander, the former governor of Tennessee and 5 per cent Mr Steve Forbes, the magazine publisher.

The poll also found the main appeal of the former conservative commentator lay more in his uncompromising opposition to abortion and immigration than in his populist economic nationalism, which includes outright protectionism.

This reflects the composition of primary voters, in both parties more likely to be concentrated in their activists. The religious right, in particular, is turning out in force in the primaries for Mr Buchanan, much to the concern of establishment Republicans.

Though assessed favourably by 29 per cent of the Republicans surveyed, up 10 points in a month, 35 per cent held negative views of Mr Buchanan and 48 per cent thought he could not win a general election.

But the poll confirms what primary voters have already indicated – that he is now a very credible threat to the struggling Mr Dole. The poll also contained bad news for the majority leader. It found he would lose to President Bill Clinton in November by 54-36 per cent, about his widest deficit in any recent national survey, but no questions were asked about a hypothetical Buchanan-Clinton contest.

That finding will encourage Mr Alexander, who repeatedly maintains Mr Dole will be no match for Mr Clinton, but otherwise the poll was hardly reassuring to him. Although out of single digits for the first time, nearly 70 per cent said they knew little about him.

The poll was taken before Mr Forbes's victory last Saturday in the Delaware primary, which helped his fading cause, but it also revealed that the more Republicans know about him as a result of his heavy advertising, the less they approve of him. His unfavourable/favourable ratio stood at 39-11 per cent.

Quick-draw Buchanan at the OK Corral in Tombstone

Immigrants become a hot election issue

By Patti Waldmeir in Phoenix

US ELECTIONS November 5

Immigration, one of the most vexed issues in the campaign for yesterday's Arizona primary, will generate political heat for weeks to come, as states with big immigrant populations choose their candidates. The issue of immigration from Mexico will be exploited by Republican presidential aspirants, with varying degrees of intensity, in primaries from California to Florida to Illinois. Right-wing radio talk shows are pushing proposals that would bring American troops home from Bosnia to guard the US border with Mexico.

Mr Pat Buchanan, the conservative commentator, wants to build a wall along the border; Mr Lamar Alexander, former Tennesee governor, wants a special military force to stop migrants. Later this week, Congress will begin final debate on the most restrictive immigration laws in 30 years.

Down on the border between Arizona and Mexico, the words inscribed on the Statue of Liberty: "Give me your tired, your poor, your huddled masses," seem a distant memory.

Southern Arizona does not want any more huddled masses, and the US Border Patrol, which has recently launched a crackdown on illegal immigration, is deployed in force to stop migrants.

Last month it caught 500 per cent more people illegally crossing the border at the popular spot of Douglas, Arizona, than in January last year.

Southern Arizona businessmen do not necessarily share this popular aversion to newcomers: retailers in Sierra Vista, just north of the border, depend heavily on custom from visiting Mexicans who keep mass-market shops such as Wal-mart and Payless Shoes in business. Sierra Vista is doing nicely with another major down-market retailer due to open shortly. Even the devaluation of the Mexican peso has not depressed business.

But the anti-immigrant movement – fairly localised and not well mobilised politically – is fuelled by emotion rather than economics. Ultra-conservative voters trumpet their patriotism, and support the abolition of bilingual education (children in local schools are given a choice of Spanish or English for some subjects).

They want English declared America's only official language, and a complete ban on immigration, legal or illegal. Mere mention of the subject provokes angry outbursts from both proponents and opponents of the populist "America First" movement.

Mr Buchanan used his last campaign appearances on the eve of the poll to try to enlist that emotion in favour of his candidacy. Immigration, which had never been a major issue in Arizona where many farms rely on migrant labour and where social services are not burdened with migrant families, had suddenly become a crowd-pleaser for Mr Buchanan. The Arizona result is one test of the strength of "America first" sentiment. More will follow.

Defiant Cuba shrugs off sanctions

By Pascal Fletcher in Havana and Michael Littlejohns at the UN in New York

Cuba remained defiant yesterday in the face of a renewed squeeze on its struggling economy from punitive sanctions ordered by President Bill Clinton for the shooting down of two small US civilian aircraft.

The incident on Saturday created a new peak of tension in US-Cuban relations, which had been showing signs of improvement. It also seems likely to tarnish, at least temporarily, the image Cuba is trying to cultivate as a country committed to economic reform, growing foreign investment and better international relations.

Cuban officials publicly shrugged off the measures ordered by Mr Clinton on Monday. These included the indefinite suspension of charter flights from the US to Cuba and a commitment to reach agreement with Congress on pending legislation to tighten the existing US economic embargo against Cuba.

The suspension of charter flights to Havana, which had recently crept back up to around a dozen a week, was likely to cut off a substantial conduit of cash dollars to Cuba from US-based Cuban exiles. Flows from US-based Cubans through informal channels, including the Miami-Havana flights, were estimated to be at least $300m a year.

Foreign investment on the island, modest so far but increasingly significant, now faces an increased threat from the pending legislation, called the Helms-Burton bill after its Republican sponsors, which proposes to toughen the US embargo against Cuba.

The United Nations Security Council early yesterday "strongly deplored" the downing of the aircraft by Cuban fighters, while the EU and Canada criticised the disproportionate use of force. The Security Council called for an international investigation into the incident.

Election year concerns have gone beyond the usual drugs and immigrants, writes **Stephen Fidler**

Latin America worries about US reversal on trade

As US Secretary of State Warren Christopher tours five countries in Latin America – the first by anyone in his position since 1988 – the region's sensitivities to US affairs are even higher than usual.

It is Latin America's lot to get involved in the US domestic political debate, particularly in a US election year. Since a large majority of America's illicit drugs and most of its illegal immigrants come from the region, the two issues regularly provide a stick for US politicians to beat Latin American governments.

Now there is another issue – trade. Since the middle of the 1980s, a majority of Latin American governments have unilaterally reduced barriers to trade as part of a shift towards market-oriented economic policies. So when the political debate in the US shifts towards protectionism, as it has under the influence of Republican would-be presidential candidate Mr Pat Buchanan, Latin American governments get worried.

According to Mr Peter Hakim of the InterAmerican Dialogue, a pan-American think-tank based in Washington, the North American Free Trade Agreement between the US, Canada and Mexico has become a "symbol of the mad dash for globalisation", which appears to have left many US workers worried about job security in its wake.

Trade had been one of the issues of greatest agreement between the US and its Latin neighbours. The Summit of the Americas that President Bill Clinton hosted in Miami in December 1994 agreed upon the negotiation of a free trade area of the Americas by 2005. At the same time, Chile was invited to discuss joining Nafta.

However, Chile's accession to Nafta has been postponed at least until 1997 by the Clinton administration's inability to secure fast track powers from Congress to negotiate trade agreements. Without fast track, Congress can change parts of proposed trade treaties, making negotiations all but impossible.

"I wouldn't be honest if I didn't say that we're frustrated that we have been unable to get fast track authority for the president to undertake trade negotiations, not just with Chile and not just in the hemisphere but around the world," said Mr Alexander Watson, US assistant secretary of state, last week.

Despite continual meetings of trade ministers of the western hemisphere to discuss the nuts and bolts of free trade by 2005 – the next is in Cartagena, Colombia on March 21 – momentum towards hemispheric free trade has undoubtedly slowed.

Mr Christopher's visit reflects, observers say, an acknowledgement within the administration that it has done little to follow-up on Miami. Mr Clinton is the first US president for at least two decades not to have visited Latin America, the Mexican financial crisis probably putting paid to that possibility.

Beginning in El Salvador, where he promised to present to Congress trade proposals to help the countries of the Caribbean basin, Mr Christopher goes to Chile, Brazil, Argentina and Trinidad and Tobago.

Mr Christopher's visit has been complicated already by one factor: Cuba's shooting down at the weekend of two civilian aircraft. It may be further complicated by another, on Friday, the date of "certification": the annual announcement of whether, in the administration's view, foreign governments have done enough to combat illicit drug trafficking.

The certification process is a source of great tension between the US and some Latin American governments. "It is hard to understand," said the Mexican government this month, "how the world's major consumer country of illegal drugs can pass judgment on any other nation." Indeed, says Mr Hakim: "There are some years in which the US might not be able to meet its own standards of certifiable performance."

Last year, Colombia, Bolivia and Peru were denied certification – but with waivers which meant sanctions such as US vetoes for loans in the multilateral development banks would not be applied.

This time the US State Department is understood to have recommended that Colombia be denied certification without a waiver, and Mexico also – but with the waiver applied. This has been the subject of internal debate within the administration, with the Treasury arguing that Mexico's de-certification would increase its difficulties in recovering from financial crisis.

As Colombia's President Ernesto Samper fights claims he used drugs money in his 1994 election campaign, de-certification is bound also to be interpreted throughout Latin America as *unwarranted interference* in that country's internal affairs.

Two countries inside one, Page 10

NEWS: ASIA-PACIFIC

India urged to reduce fiscal deficit

By Mark Nicholson in New Delhi

India's Finance Ministry warned yesterday that prospects for economic stability would be "bleak" withont a "significant and sustained" cut in tha government's fiscal deficit and deeper public sector reforms, advocating that sales of public enterprises be "pursued aggressively".

The Economic Survey, the ministry's detailed annual economic review, also argued that without "major improvements" in hasic infrastrnctnre, the country's recent agricultural, industrial and export growth were at risk.

It said policies, institutions and procedures in the sector required reform along with creation of independent regulatory authorities to attract needed private investment into infrastructure.

The survey, which reflects Finance Ministry thinking rather than government policy, said the Indian economy was set to grow by 6.2 per cent for the current fiscal year, against 6.3 per cent in 1994-95, calling this a "remarkable achievement" given India's severe ecoomic crisis in 1991.

"The current momentum of growth appears to be much more sustainable," the survey said, citing the fall of inflation to less than 5 per cent, smaller recent current accoont deficits and a four-point increase in the country's savings rate to 24.4 per cent for this year.

The survey is traditionally tabled on the eve of India's budget, and Mr Manmoban Singh, finance minister, will today present an interim budget for the first quarter of the fiscal year starting April 1. The government ruled out a full budget given the proximity of elections, expected in April.

Oddly, the survey sidestepped tradition by not offering an estimate for this year's fiscal deficit, which is expected to oversboot a budgeted 5.5 per cent of GDP.

Singh: interim budget today

The government this year raised a fraction of an expected Rs70bo (£1.25bn) from public asset sales, but the survey said tax revenues have proved more buoyant than budgeted, with personal and corporate tax receipts up 27.6 per cent for the first nine months of the year.

The survey said the economic performance had been led by strong industrial growth, expected to exceed 10 per cent for the fiscal year, with exports rising 24 per ceot over the first nine months. Imports rose 29 per cent and the survey said India should record a "sustainable" 1995-96 current account deficit of $4.8bn or 1.5 per cent of GDP.

The survey also said the rupee's sharp depreciation since August was an "appropriate" correction to ensure export competitiveness.

Capital flow hits Taiwan payments balance

By agencies in Taipei

A $6.77bn net capital outflow from Taiwan last year, following rising tensions with China, led to a record balance of payments deficit and calls yesterday by Mr Lien Chan, the Taiwanese premier, for talks to calm nervous investors.

Taiwan's annual balance of payments plunged to a $3.93bn (£2.55bn) deficit in 1995, from a surplus of $4.62bn in 1994, the Central Bank of Taiwan announced. Officials blamed heightened political tension after China accused Taiwan of pushing for separate diplomatic statns.

Taiwanese began to send money abroad last summer when China launched two rounds of menacing missile tests that rattled Taiwan's financial markets. Capital outflow reached $8.19bn between July and September, but dropped to $4.21bn in the fourth quarter, because China did not follow up with further military moves, officials said. The country had a net capital inflow of $563m in 1994.

"We sincerely hope that the two sides of the Taiwan Strait can quickly resume talks on substantive issues," Mr Lien told a meeting of Taiwanese businessmen. He said once talks resumed, the government in Taipei could negotiate with China on ways to protect Taiwanese investments in the mainland and on the security of Taiwanese businessmen there.

He said Taiwan had made economic and trade exchanges its main policy towards China, and the government would do all it could to see the interests of Taiwanese traders in China were taken care of.

But some businessmen at the meeting said recent remarks by President Lee Teng-hui that Taiwan was not afraid of China and would retaliate were too provocative, and would only help fuel cross-strait tensions.

Also at the meeting Mr Hsn Chun-ta, vice chairman of the Association for Taiwanese-Invested Businesses in Fuzhou, the capital of China's Fujian province, said Taiwanese businessmen had been assured by both the local and central government that China would not attack Taiwan.

Authorities in China had also given assurances that they would help protect investments there, he said.

Taiwanese businessmen have so far invested more than $24.2bn on the mainland, Mr Lien said, adding that bilateral trade also amounted to about $17.8bn last year, with Taiwan exporting some $16bn of goods to China.

He said China should look after Taiwanese investments on the mainland and refrain from intimidating the island, which would only serve to discourage future investment.

Meanwhile, Taiwan's current account surplus narrowed to $5.01bn in 1995, from $6.15bn a year earlier. The bank said Taiwan posted a net outflow of direct investments and other long-term capital transactions of $2.5bn against an outflow of $1.96bn a year earlier.

Fear of Beijing fuels Asean arms spending

Worries that build-up will destabilise region are probably unfounded

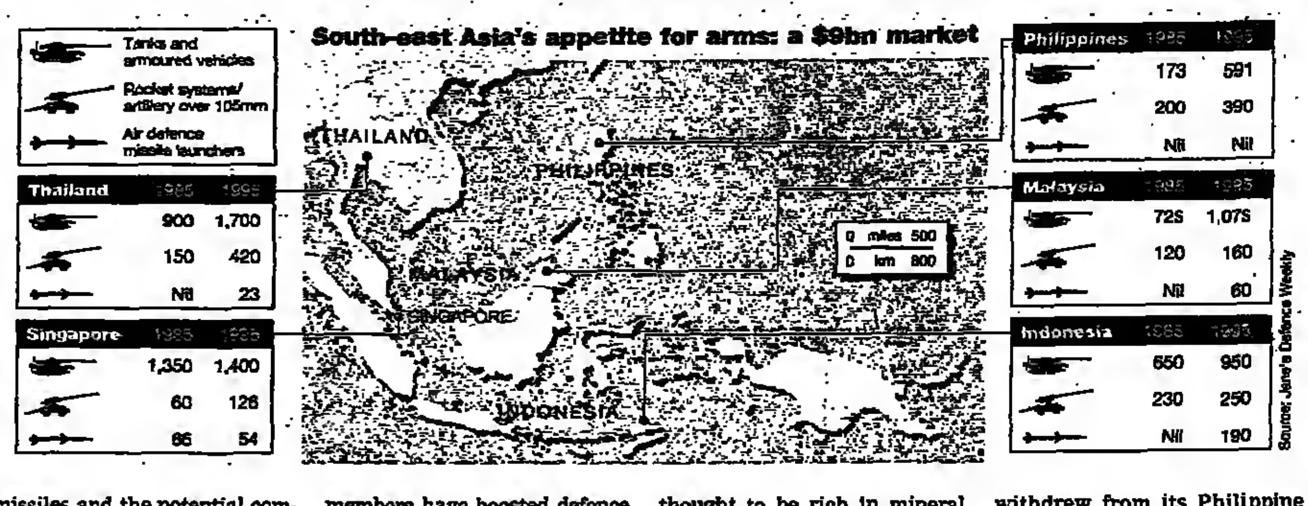
The arms merchants swarming about the air shows and defence seminars in south-east Asia are earning their keep. Last year south-east Asia overtook the Middle East as the world's third largest weapons market after the US and Europe, buying over $9bn in weapons – 22 per cent of world sales.

This spectacular shift into high-tech long-range aerial and naval capabilities, including talk by several countries of acquiring modern submarine fleets, is often dismissed as an inevitable outcome of the region's economic success. But it is leading many to claim that Asean is oo the brink of a dangerous arms race.

Thailand's request to the US government for 16 F/A-18 jet fighters equipped with advanced AIM-120 air-to-air missiles has brought this concern across the Pacific to the US Congress, which must approve the sale.

While the issue of nuclear proliferation in east Asia will be on the agenda of the EU-Asia summit in Bangkok later this week, the build-up of conventional arms is oot expected to be raised.

On a visit to Bangkok last month, Mr Winston Lord, US assistant secretary of state, was not optimistic. Noting that no other country in the region had such missile technology, Mr Lord said: "We want to help Thailand with legitimate defence needs but we also have proliferation concerns with respect to certain advanced missiles and the potential competition in this area."



Thailand	1985	1995
Tanks and armoured vehicles	900	1,700
Rocket systems/artillery over 105mm	150	420
Air defence missile launchers	Nil	23

Singapore	1985	1995
Tanks and armoured vehicles	1,350	1,400
Rocket systems/artillery over 105mm	60	126
Air defence missile launchers	66	54

Philippines	1985	1995
Tanks and armoured vehicles	173	591
Rocket systems/artillery over 105mm	200	390
Air defence missile launchers	Nil	Nil

Malaysia	1985	1995
Tanks and armoured vehicles	725	1,075
Rocket systems/artillery over 105mm	120	160
Air defence missile launchers	Nil	60

Indonesia	1985	1995
Tanks and armoured vehicles	650	950
Rocket systems/artillery over 105mm	230	250
Air defence missile launchers	Nil	190

Perhaps more surprisingly, Mr Syed Hamid Albar, the defence minister of Malaysia – which purchased 20 Hawk jet fighters from Britain, 18 Russian Mig-29s and 8 US F-18s over the last three years – voiced fears earlier this month that the arms build-up threatened to destabilise south-east Asia.

Speaking in Kuala Lumpur, Mr Albar said Asean sbould draw up a code to distinguish between defensive and provocative military acquisitions. This would prevent a slide into a "confidence-destroying" spiral.

Defence analysts point out that many of Asean's seven members have boosted defence spending by more than 50 per cent since 1985, with Singapore – at almost 90 per cent – leading the pack.

However, most of them say the biggest threat to regional security is perceived to come from China rather than from within the region.

Beijing's "blne-sea" neval ambitions and its assertive claim to the Spratly Islands in the South China Sea and Indonesia's Natuna gasfield off Borneo have sent shivers down Asean members' spines.

China's short-lived occupation last year of a portion of the Spratlys claimed by the Philippines was taken by many as a portent of worse to come. The Spratlys, which are thought to be rich in mineral reserves, are also claimed in part or whole by Vietnam, Malaysia, Brunei and Taiwan.

"The most likely scenario for conflict over the next few years is probably some sort of naval skirmish between China and one of the Asean claimants to the Spratlys," said Mr Herman Kraft at the Institute for Strategic and Development Studies in Manila. "It is difficult to envisage actual military conflict between any Asean members."

Analysts say there are also trends behind the region's defence spending spree that are much less dramatic than either China or an arms race.

These include the need to fill the gap left by the US when it withdrew from its Philippine military bases in 1992; a change in military doctrine from counter-insurgency warfare to conventional military operations; the attempt to combat pirates and illegal fishing in south-east Asian waters; and the need to replace outdated hardware from the 60s.

Mr Derek da Cunha, a defeoce expert with the Institute of South-East Asian Studies in Singapore, says that talk of an arms race is too alarmist. "The type of weapons and the timing of the purchases in the region doesn't point to that," he said.

Disagreements over whether the arms build-up constitutes legitimate modernisation or a departure from recent history are unlikely to be resolved. Countries such as Singapore, which has not forgotten the military pogroms against its fellow overseas Chinese in Indonesia 30 years ago, and Thailand, which has kept a wary eye on Burma's recent military successes, are not, bowever, taking any chances.

Analysts predict that average Asean defence expenditure will rise by 2 per cent a year in real terms over the next decade. The prospect of the region being bome to 22 submarines, more than 1,000 jet fighters and remotely piloted vehicles backed up by high-altitude air defence systems and controlled by electronic warfare systems is within reach.

Unexpected flare-ups could boost that figure. "China's decision [last month] to buy Su27 jet fighters off Russia is not likely to result in a slowdown of Asean defence spending," said Prof Julius Caesar Parrenas at the University of Asia Pacific in Manila.

"Whether the planes are intended to threaten Taiwan or not is neither here nor there. The fact that China is building up its long-range strike capability is likely to add to south-east Asia's feeling of insecurity."

Edward Luce and Ted Bardacke

OBITUARY: LAURIE CONNELL

Brash banker at centre of '80s deals

By Nikki Tait in Sydney

Mr Laurie Connell, one of Australia's brashest millionaires in the mid-1980s whose Rothwells investment bank collapsed after the 1987 stock market crash, died early yesterday.

A colourful but controversial Perth-based businessman who would have been 50 on April 2, he was rushed to Freemantle hospital overnight after suffering a heart attack. He was declared dead shortly after arrival.

Mr Connell, the son of an Irish bus driver, shot to fame in the 1980s, when his investment bank was heavily involved in funding and organising transactions for a number of prominent Western Australian entrepreneurs. Rothwells was at the centre of a wave of leveraged deals which propelled Perth on to the international financial map, with one of its biggest clients being Mr Alan Bond.

Mr Connell's wealth at one stage was estimated to stand at A$300m (£147m), and he went into the record books when he made the biggest racing bet in Australian history, winning A$3m.

But after 1987 Rothwells' financial situation quickly become untenable and it was liquidated in 1988. Legal action followed, and in 1989 Mr Connell was charged with publishing false Rothwells accounts.

Allegations tbat he defrauded company investors were added later.

Quite separately, in 1992, the high-spending businessman was also charged with fixing a horse-race – the 1983 Bunbury Cup. After a highly publicised trial, he was found not guilty of that charge, but was convicted on the grounds that he conspired to pervert the course of justice. He served part of a jail term before being released on parole. At the time of his death, Mr Connell was still defending himself against some 70 charges of breaching the Australian companies code in relation to Rothwells.

News of his death brought a mixture of tributes and criticism from erstwhile associates during the beady days of the late 1980s. Mr Bond, who is also facing charges related to the running of his now-collapsed Bond Corporation, told ABC Radio that Mr Connell's achievements had overshadowed his errors. "Over a lifetime of knowing someone, their good points far outweigh their bad points," he said, in an emotional interview. "I count him as a friend of mine... I was very close to him."

But there was a more restrained response from Mr Warwick Fairfax, who paid Mr Connell a hefty A$100m fee for advice on the ultimately disastrous leveraged bny-back of the John Fairfax newspaper empire. Mr Fairfax reportedly said that he was sorry to hear the news, but did not wisb to comment further.

Connell: at centre of 1980s deals

ASIA-PACIFIC NEWS DIGEST

Manila switches boat people line

Manila yesterday appeared to reverse a decision two weeks ago to let the country's 2,700 Vietnamese refugees stay. The move, which puts the Philippines back in line with a regional accord to repatriate all Vietnamese refugees by June 30, came after government officials apparently had persuaded the Roman Catholic church that integrating the boat people into Philippine society would be too expensive.

Mr Domingo Siazon, foreign secretary, had said of the decision to keep the boat people, that the Philippines was "very kind and more humane" than some of its Asian neighbours.

Edward Luce, Manila

Tougher tax collection urged

Philippine officials said yesterday the International Monetary Fund – which is conducting a quarterly review of the country's three-year IMF "exit" programme – had urged the government to professionalise its tax collection bureau. Fewer than 10 per cent of wage-earners pay taxes. The IMF's hand is likely to be strengthened by figures published this week showing very few dollar millionaires paid more than $10,000 in taxes last year. At 16 per cent of national income, Philippine tax revenue is considered too low. The government has pledged it will push a more extensive tax system through congress this year.

Edward Luce, Manila

Japan 'tainted blood' admission

Green Cross, one of five drug companies ordered by Japanese courts to compensate haemophiliacs who contracted HIV, the virus that causes Aids, through using untreated blood products, yesterday admitted that it had shipped untreated products even after the government had ordered the recall of the tainted products. The revelation follows Health Ministry accusations that the company submitted false shipment reports. Mr Masayuki Nishida, senior managing director of Green Cross, said that it had continued to ship unheated products at the request of doctors because of the a scarcity of treated blood products.

Emiko Terazono, Tokyo

Murdoch rugby super league banned by court

By Nikki Tait

Australia's federal court yesterday banned Mr Rupert Murdoch's News group from starting a breakaway rugby league – to be called Super League – this season, and said it could not use players which it had signed up bnt who had previously been contracted to the Australian Rugby League (ARL) clnbs in any competition worldwide.

The orders apply until further notice. However, Justice James Burchett will bear submissions from both News and the ARL about the length of time that the restrictions should be enforced after 1996 next week. The ARL has been asking for an injunction until the year 2000.

After the ruling, Mr Lachlan Murdoch, son of Mr Rupert Murdoch and deputy chief executive of News Limited, the media group's Australian arm, admitted: "Unfortunately, Super League will not kick off this weekend."

He added that News would be appealing against the court's decision, announced on Friday, which found thet News acted dishonestly in wooing players and clubs from the existing ARL competition. It would also be seeking a stay of yesterday's orders. "If this is granted the Super League competition will still be starting this year," he said – although this looks a remote possibility at present.

The ARL has called a meeting of all 20 clnbs today – including those which bad switched allegiance to Super League – but concedes that it is uncertain over how quickly a full 20-club competition can be resurrected.

The battle between News and the ARL started almost six months ago, when the media group started luring both players and clubs from the existing ARL competition. Snbsequently, it also won snpport from both the New Zealand and UK organisations for its new league.

In the courts News claimed the existing "loyalty" agreements between Australia's 20 local clubs and the ARL had been a breacb of the Trade Practices Act, while the ARL made a counter-claim, asserting the early releases given by the breakaway clubs to players seeking to join News's Super League were not legal.

Opinion polls in Australia have continned to give a lead to the opposition Liberal-National coalition, but by varying margins, Nikki Tait writes from Brisbane. A poll in The Australian yesterday showed the coalition's lead widening to 54 per cent against Labor's 46 per cent. But another poll in the Bulletin magazine showed support for Labor rising to 49 per cent with the coalition down to 51 per cent.

A bnoyant and impassioned Prime Minister Paul Keating told a rally in Brisbane that Labor could win. "We can win this election. The Liberals started with an 11-point lead and we are catching them up." Down the road, Mr Howard was almost daring to believe in victory. "There is a sense of anticipation," he told supporters.

Lex, Page 12

Employers face race guidelines for recruitment

By Andrew Bolger, Employment Correspondent

The government has asked the Commission for Racial Equality to help it draw up guidelines so that employers do not adopt discriminatory recruitment practices in response to new immigration legislation.

Miss Ann Widdecombe, the minister at the Home Office responsible for immigration, yesterday acknowledged concern that the government's controversial asylum and immigration bill would lead to some employers "playing safe" when recruiting new staff.

Under the bill, employers will for the first time be guilty of a criminal offence – and face fines of up to £5,000 ($7,700) – if they employ an immigrant who does not have valid leave to remain in the UK. Miss Widdecombe said: "We would be very concerned if we thought that employers would pick out any particular group for discriminatory treatment on the basis of their colour or race. We have considered this aspect very carefully indeed. However, we do not share the fears that have been expressed."

The minister told a Confederation of British Industry conference in London that she appreciated the importance of employers having available appropriate guidelines.

"The Commission for Racial Equality has promised to assist us in drawing up guidance which will help employers to avoid acting in ways which might, despite the best of intentions, lay them open to allegations of racially discriminatory practices," she said.

"The scale of illegal working in this country is substantial and the problem is increasing," she continued. "Although its precise scale is uncertain, we do know that in 1994 the Immigration Service detected over 10,000 people who were working here illegally. In 1988 the comparable figure was fewer than 4,000." She said Britain was not alone in tackling illegal working. "It is an anxiety shared by most of our European colleagues, who already have measures in place which aim to address it.

"The government takes the view we must take action now. We are vulnerable if we don't attempt to control illegal working when other countries do."

IRA agrees to stay away from bomber's funeral

Financial Times Reporters in London and Dublin

The Irish Republican Army and Sinn Féin, its political wing, will not attend the funeral today in south-east Ireland of the 21-year-old IRA member killed in the London bus bombing, republican sources in Dublin indicated yesterday.

Edward O'Brien will be buried at the Roman Catholic Church at which he once served as an altar boy. A London inquest heard that he died in a bus in the capital on February 18 as he the bomb he was holding exploded as he stood up to leave the bus.

His parents said they wanted no paramilitary presence at the funeral "in any way, shape or form". The decision of Sinn Féin and the IRA was welcomed by Father Walter Forde, the local priest in Gorey, where the O'Brien family lives. "That news will be very warmly welcomed . . . by local people who turned out in extraordinary numbers on Sunday for our peace service here," he said.

The funeral will be an occasion for soul-searching in the Republic of Ireland amid growing public outrage at the resumption of violence.

O'Brien's death and the serious injuries sustained by an innocent Irishman who was briefly under police guard in a London hospital as a suspect have brought home for many people in the republic the futility of using violence for political ends. Politicians and local commentators all agree that the resumption of IRA bombing has changed public attitudes to Sinn Féin.

On Sunday tens of thousands of people from north and south marched demanding the men of violence "give us back our ceasefire".

Mr John Bruton, the prime minister, attended one of the rallies. He appears to have caught the public mood with speeches in which he blamed the IRA Army Council for threatening the peace process. One bystander at the rally in Dublin said Sinn Féin's constant equivocation was wearing thin. "I can't remember an occasion when the family of an IRA bomber disowned the movement," he said.

Gambling industry rules to be relaxed

By David Blackwell in London

The government yesterday cleared the way for 13 new UK casinos as it announced plans to slacken gambling industry rules. Britain has 119 casinos.

A government paper proposes to make it easier to become a casino member and to abolish bingo club membership requirements. Further proposals include extended casino drinking hours, the use of debit cards in casinos and bingo clubs and fewer advertising restrictions.

Mr Timothy Kirkhope, a Home Office minister, said yesterday that the government believed there was scope for updating and relaxing gambling industry restrictions, which date from 1968. "These proposals will allow industries that are successful to have room to grow," he said.

The measures were welcomed by the industry, which has been lobhying for change and has been expecting the consultation paper for almost a year. Mr John Garrett, head of Rank's leisure division, was "glad to see it covers many of the issues we have been urging them to address." Mr Alan Goodenough, chief executive of casino operator London Clubs International, said "it all looks good news for the industry."

The industry's case has been pressed more urgently since the advent of the National Lottery in 1994. Other gaming restrictions are already being eased under the government's deregulation initiative. An announcement is expected today on whether AWP (amusement-with-prizes) machines will be allowed into betting shops.

The industry has until May 31 to respond to the consultation document.

The 1968 regulations were put in place because a lack of effective regulation had resulted in criminal involvement.

The amount gambled in casinos in 1994-95 was nearly £2.5bn in spite of tough membership restrictions, under which potential players have had to undergo a 48-hour cooling off period after joining. This would be cut to 24 hours. Unlike previously, potential members would also be able to make postal applications.

Greenhills chairman Anthony Alderton in the auditorium of the New Gallery yesterday

Films give way to Rick's bar

By Roderick Oram, Consumer Industries Editor

For 40 years one of London's largest cinemas and a gem of 1920s architecture has lain untouched and hidden from public view across Regent Street from Garrard, the Crown Jewellers.

Boasting the first Wurlitzer organ in the West End, the 1,450-seat cinema presented many British premieres. In 1938 alone, nearly 1m people went to the New Gallery to see *Snow White and the Seven Dwarfs*, Walt Disney's first animated feature film.

But the cinema fell on hard times and was the first in the West End to close shortly after the second world war. Later this year, however, the New Gallery will reopen to the public as a restaurant on a film theme with all its original features intact. The auditorium still has an elaborate 80m Grecian frieze running around it, in a early form of air conditioning, the glass dome opens to expel cigarette smoke.

The New Gallery was untouched because of a quirk of history. After the cinema folded, the Crown Estate leased the building in 1953 to the Seventh Day Adventist Church. The Adventists used it to worship and to screen religious films but they made minimal alterations.

Since the congregation gave up the lease in 1990, the building was put to occasional use as, for example, a training ground for police dogs to sniff out hidden people.

Greenhills, a small leisure company, last week secured a 25-year lease by promising that its Dream Factory would leave the building largely untouched by building replica film sets within it.

A *Dr Zhivago* vodka bar will grace the back of the balcony; *Mutiny on the Bounty* will drape over the balcony, perhaps with actors sword fighting in the rigging; Rick's bar from *Casablanca* will fill part of the stalls and the *Wizard of Oz* will take over the stage. Food appropriate to each theme will be served on each set. Madame Tussauds, owned by Pearson, the media group which owns the Financial Times, will build the sets and help run the complex.

Relations between parties turn sour

By John Kampfner at Westminster

Relations between the British government and Northern Ireland's largest political party appeared at breaking point last night as the UK and Irish prime ministers made a final attempt to narrow differences ahead of a planned summit today. Mr John Major and Mr John Bruton were due to speak by telephone to finalise a package of measures they hope to announce during a meeting in London. But officials said there were still serious hurdles.

At the same time, senior Tories sought to cool tempers that followed accusations from ministers that the leader of the Ulster Unionist party, Mr David Trimble, had sought "clandestine" concessions on Northern Ireland in return for helping the government in Monday night's vota on the Scott report. In the event, the nine UUP MPs voted with Labour and the government's majority of one was secured only with the abstention of the three MPs of the smaller Democratic Unionist party.

The Anglo-Irish plan is understood to begin with "high intensity" talks between the party's constitutional parties to take place within weeks. These would settle arrangements for elections to a forum that would delegate members to all-party negotiations, the start-up date for which would be agreed in advance.

The main stumbling are the terms under which Sinn Féin might be allowed to participate in the talks following the resumption of the IRA's bombing campaign earlier this month. Both governments will expect a formal declaration by the IRA that it had restored its ceasefire.

Cable adverts to cost $18.5m

By Christopher Price in London

The usually fragmented cable industry came together yesterday to launch its first national advertising campaign at a cost of £12m ($18.5m).

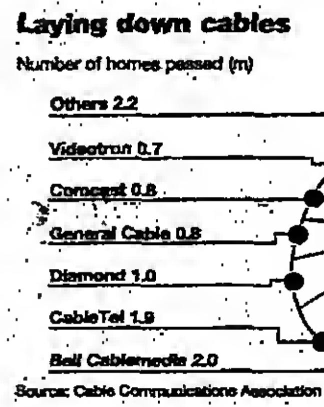
The move comes amid growing concern among cable companies over their failure to attract more television and telephone subscribers. While more than 5.5m British homes are able to receive cable, only 1.1m have opted for connection and penetration rates have stuck at little more than 20 per cent.

"We have to tell people what benefits and value cable can bring them," said Mr Alan Michels, chief executive officer of TeleWest, the UK's biggest operator. He blamed the poor subscriber rates, as well as the high number of customers who fail to renew, on the industry's lack of emphasis on marketing. "That will be our focus from now on." The campaign will be carried on terrestrial television and other media and will run for a year.

The cable industry, which has been laying its fibre optic network for 11 years, has spent about £5.5bn covering more than 30 per cent of the UK. It estimates that it will have coverage of 85 per cent within the next three years, investing a total of £12bn.

The campaign will also aim to raise awareness of telephone services. "Our research shows that one in four subscribers do not know that many cable companies also offer telephony services," said Mr Mike Hayes, marketing director of the Cable Communications Association, the industry organisation which has formulated the campaign.

Laying down cables



Source: Cable Communications Association

UK NEWS DIGEST

Emu deadline 'unsafe' says PM

Mr John Major, the prime minister, yesterday issued his most impassioned warning to date about the danger of proceeding with a single European currency on the current launch date of 1999. Mr Major said in the House of Commons he thought there were "many countries in Europe which believe the single currency would be good for Europe". He believed that might be true "at some stage in the future" but the "timescales set out at present are not timescales that can safely be met".

Mr Major has for the past nine months been conducting a high-profile campaign to persuade heads of European Union governments of the danger of adhering to the monetary union timetable if only a few member states are in a position to join.

Robert Peston, Westminster

Write-off for rail debt

The government has agreed to write off £1bn ($1.54bn) of Railtrack's debt, having previously threatened to abandon the privatisation of the owner of the national network's track and stations if the debt reduction was more than £600m. It has also decided to sell 100 per cent of Railtrack's shares in a flotation scheduled for May. That is designed to embarrass the opposition Labour party, which has pledged to regain control of the rail network if it wins the next general election.

The decision to set Railtrack's debt at £565m represents a victory for the company in protracted and increasingly heated negotiations with the government. Ministers and officials had been arguing that it could support borrowings of more than £1bn, compared with Railtrack's current debt in the public sector of more than £1.5bn. A fortnight ago, the flotation was in jeopardy, with Railtrack saying its profitability would be severely undermined if it had more than a tiny amount of debt. "We had to agree to the debt figure because we were right up against the wire", a minister said. "Pulling the sale was in the end an unpalatable option".

Robert Peston

Transport boost for City

The government yesterday gave the go-ahead for a largely private sector funded £650m ($1bn) programme to increase rail transport through the City of London. The long-awaited clearance for Thameslink 2000, which will expand north-south rail links through London, was given after Railtrack, the network company soon to be privatised, agreed to shoulder £550m of the construction costs. "This will be an excellent example of the private sector combining to take forward a major investment project," said Sir George Young, transport secretary. While Paris has developed rail connections, travel in London is still dominated by the Victorian railway pattern. Ten mainline stations ring the capital but there is only one, very limited, through link.

James Harding and Charles Batchelor

Warning on US patents

UK biotechnology companies risk losing patent fights in the US because one in 10 companies does not record its research in notebooks and a further 28 per cent fail to sign and date them. US patents "are ultimately granted on the basis of 'first to invent'", says a report published today. It was commissioned by the Confederation of British Industry's Biotechnology Forum and law firm Nabarro Nathanson.

Only 23 of the 51 companies questioned ensured there were witnesses to the signing and dating of research and would be in a strong position if their patents were challenged in the US courts. "This failure rate in terms of best laboratory practice paints a disturbing picture," says the report. "The US is the world's largest market for biotechnological products."

The report says US companies have strict procedures for entering experiments in bound notebooks, written in ink and with the pages numbered, dated and signed. This procedure is simple and cheap to enforce and should be adopted by UK companies as best practice, says the report.

Daniel Green, Industrial Staff

Cummins workers to fight

Workers at the Cummins engine plant at Shotts in Scotland may strike as part of their campaign to fight the closure of the factory, which the company unexpectedly announced last week. About 600 of the 700 employees at the plant voted unanimously to fight closure "by whatever action is necessary". They backed all their union representatives' recommendations, which included condemning the company's lack of consultation and its failure to explore alternatives to closure. Cummins said last week that it would close the 600,000 sq ft plant by the end of the year as part of a worldwide rationalisation programme to improve the group's profitability. Engine production at Shotts will move to Cummins' factories in England and the US.

James Buxton, Edinburgh

One-vote victory allows Conservatives to stagger on

By John Kampfner at Westminster

The ramifications of the 320-319 vote in the House of Commons on Monday night will go beyond the ability to cling to office of two ministers criticised in the Scott report. The government won its one-vote victory after the debate on Sir Richard Scott's report into UK sales of military equipment to Iraq.

The government managed to win even though two of its own MPs and all nine MPs in the Ulster Unionist party voted with the opposition. The Ulster Unionists are the largest pro-British party in Northern Ireland.

For most of the debate members of the cabinet sat slumped on the front bench. Mr Robin Cook, the opposition Labour party's shadow foreign secretary, delivered what was widely regarded as one of the most perspicacious Commons performances in recent years.

When the government's victory was announced, Conservatives could not contain their joy and relief. But within minutes Labour MPs served notice that they would not let the matter rest. Sir Richard Scott has opened wounds in the government's approach to openness and accountability that the opposition will not allow to he healed. The consequences of defeat in the debate would have heen extremely damaging. Although victory in a confidence motion was all but assured, such a vote would have exposed the fragility of Mr John Major's tenure on power. It would also have sent the wrong messages ahead of a week-long trip to the Far East intended to present a robust profile for Britain.

Victory ensures that the government will be able to stagger on. Indeed, some Tories have been saying for some time that Scott presented the last set-piece hurdle in the way of the gradual improvement in the government's electoral fortunes.

Nevertheless, the parliamentary arithmetic is alarming. The decision by Mr Peter Thurnham last week to resign the Conservative party whip has reduced the party's majority in the House of Commons to two. One more seat is expected to go to Labour after a by-election in Staffordshire South East which the government has stubbornly refused to call.

For all the assertions to the contrary, the vote on Monday was inextricably linked with the Northern Ireland peace process. The smaller of the two Northern Ireland unionist parties in the Commons, the Democratic Unionists, took the unusual step of abstaining. The traditionally more loyal Ulster Unionist party voted *en bloc* with the opposition.

Had the government lost the vote on Monday, an early summit between Mr John Major and Mr John Bruton, the prime minister of the Republic of Ireland, would have been almost impossible to arrange.

In spite of the resumption of violence by the Irish Republican Army, Mr Major is sticking tenaciously to his hopes for a political solution in Northern Ireland.

Power ebbs away from John Major

		Majority in Commons
1992	General election	21
1993	Two Conservative MPs die and their seats are captured by opposition	17
1994	Two MPs die and their seats are lost; seven Tory Euro-rebels are deprived of party whip	4
1995		
Feb	MP dies	3
Apr	Most Euro-rebels regain whip	10
May	MP dies; by-election lost	8
July	By-election lost	7
Oct	MP defects to Labour party	5
Dec	One MP dies; another defects to Liberal Democrat party	2
1996		
Jan	Last Euro-rebel reinstated	4
Feb	Conservative MP resigns whip	2

BUSINESS AND THE ENVIRONMENT

Wet look in dry cleaning

Should the dry cleaning industry switch to alternative techniques? Environmental campaigners, concerned about the toxicity of dry cleaning solvents, are convinced it should. But large parts of the industry argue that no suitable alternative is available.

The argument is illustrated by the differing views provoked by Aquatex, a water-based cleaning technique developed by JLA, a Yorkshire-based laundry and cleaning equipment manufacturer.

This system uses a combination of chemicals to clean and protect the fabric. The temperature and degree of agitation required for each fabric are carefully controlled using a microprocessor.

JLA says its system works well, even for delicate fabrics that cannot usually be washed because they are damaged by water and mechanical action.

The JLA process incorporates high molecular weight polymers that coat the fibres and penetrate the crevices between them to prevent excessive movement and entanglement.

The system is endorsed by Greenpeace, the environmental campaign group, because it does not use perchloroethylene, known as "perc". This is considered by the US Environmental Protection Agency to be a hazardous air pollutant and a potential carcinogen.

The JLA system has also had good reviews from the British Textile Technology Group, an independent textile testing house, which found that Aquatex worked well on a wide range of fabrics. It even coped successfully with wedding dresses and very delicate garments, such as a silk dress covered with beads and sequins.

But the Textile Services Association, which represents UK dry cleaners, is unenthusiastic. Simon Rawlins, a director, says the evidence linking perc and cancer is weak. Moreover, TSA members have found that aqueous systems cannot cope with certain fabrics and stains.

Vanessa Houlder

Prospects of a fibre shortage are forcing action by manufacturers, write **Bernard Simon and Christopher Brown-Humes**

Wood supply's stunted growth

Is the world's forest industry running out of wood? Pulp, paper and lumber producers are sufficiently concerned that several European and North American chief executives met privately during the Canadian Pulp and Paper Association's annual conference in Montreal last month to discuss "fibre supply".

"Only a few eccentrics were interested in wood supply three or four years ago," says Tony Rotherham, the association's director of woodlands. "But it has become a mainstream industry concern."

The spectre of wood shortages was widely cited as one factor behind galloping pulp and paper prices between early 1994 and last summer. Northern bleached softwood kraft pulp, the industry's benchmark product, soared from $390 (£253) to a peak of $1,000 (£649) a tonne. North American and Scandinavian mills were so desperate for wood that they imported pulp logs from Chile and Alaska.

Several North American paper producers have moved in recent years to secure raw material supplies by buying saw mills and the cutting rights to surrounding forests. US-based International Paper gained a valuable source of timber last year for a planned foray into the fast-growing Asian market by buying control of Carter Holt Harvey, New Zealand's biggest forest owner. Avenor, a Canadian producer, bought two Quebec saw mills to ensure long-term wood supplies for a nearby newsprint mill.

The pulp and paper industry's concern is whether mills will continue to have access to the right trees in the right places.

Robert Hagler, a Virginia-based consultant, told a Pulp and Paper Week conference last summer that "a sharp divergence between the volume of timber that is 'physically available' for industrial purposes, and the volume that will 'actually' be available has emerged."

The trend is especially evident in North America (see chart). Pressure from environmental groups has led governments to tighten forestry practices and set aside tracts of forest as parks and wildlife reserves. For example, British Columbia is doubling the area of protected forest to 12 per cent of the province's land area.

A 1994 study for British Columbia's Council of Forest Industries forecast that supplies of coniferous species in Canada would shrink by 23 per cent, or 40m cu m, between the peak in 1987 and 2010.

Hagler says: "Despite physical surpluses, the availability of timber for industrial purposes is extremely limited ... It would seem that North America will begin to experience the realities of a limited resource environment."

The alternatives for the forestry industry are few. High transport costs are likely to put Siberia's vast forests out of commercial reach for years to come. The steady expansion of peasant farmland has shrunk tropical hardwood forests in developing countries such as Indonesia, Haiti and Mozambique. Pessimists also point to rising demand for wood and paper products in fast-growing economies, such as China and India, which could further increase the pressure on supplies.

However, the forestry industry has been remarkably resourceful.

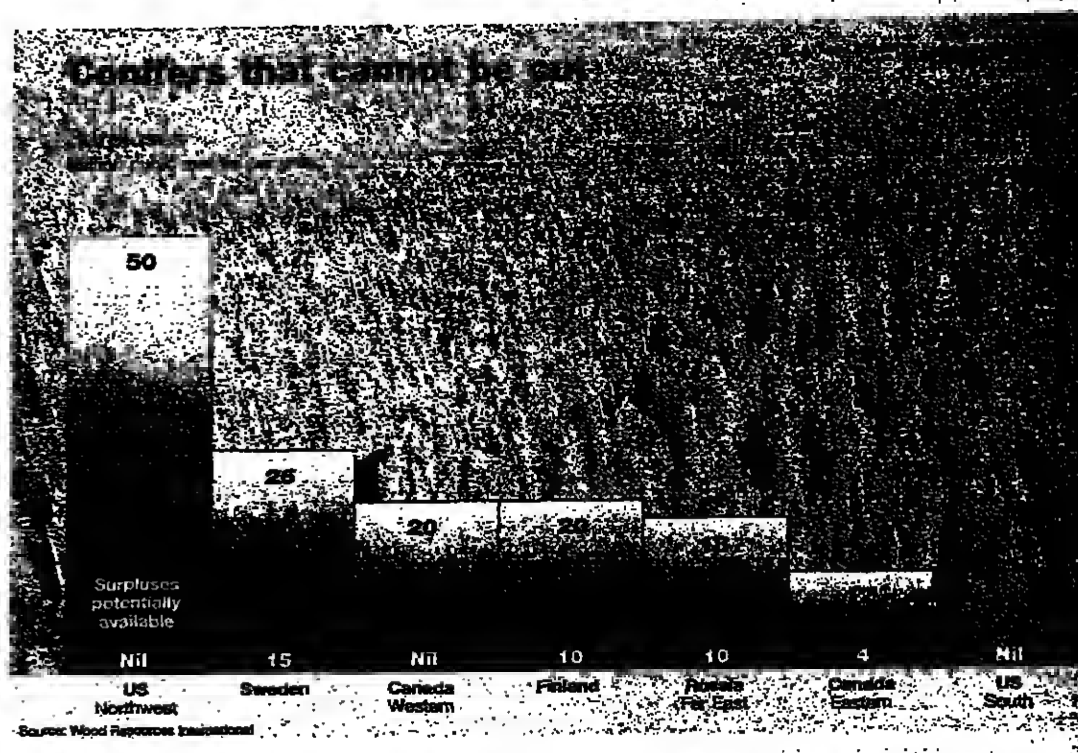
Plantations have to a significant extent replaced old-growth forests as a raw material source. The Swedish Forest Products Association estimates that plantations now make up 29 per cent of world raw material supplies for pulp and paper mills. Original forests account for only 17 per cent. The rest comes from secondary forests where new trees have grown to replace original ones.

One of the best examples is New Zealand, whose coniferous wood output – mostly plantation-grown radiata pine – has climbed from 7.9m cu m in 1970 to about 15m cu m, and is expected to reach 34.5m cu m by 2020.

Jan Remröd, head of the Swedish Forest Industries Association, notes that Sweden's current harvesting rate of 70m cu m a year is well below natural growth of 100m cu m. "We could easily increase our output by 10m to 15m cu m a year if the market was there," he says.

The forestry industry has succeeded in substituting plentiful wood species for those in diminishing supply.

MacMillan Bloedel, the Vancouver-based group, has traditionally relied heavily on British Columbia's majestic spruce, fir and pine forests. But it now gets about 10 per cent of its wood production from fast-growing poplar plantations, mostly in the southern US. Several Canadian companies, including Macblo, have built or bought mills in the southern US over the past decade.



Source: Wood Resources International

Paper mills and building material suppliers have also found new raw materials. Oriented strand-board, used for timber housing and made from low-grade species such as aspen and poplar, has become increasingly popular. The proportion of waste paper recovered for recycling has risen in the past decade from 31 per cent of global consumption to 42 per cent.

However, the industry's ingenuity in finding untapped resources may not be enough to eliminate fibre shortages entirely. According to Hagler, the stage has been reached where "we can define limits on available supply, and recognise that, in many regions of the world, expansion of capacity will be difficult, if not impossible, for the first time in modern history".

The implication is that wood prices are on a long-term upward trend, spurring even greater use of substitutes, such as steel and plastics in building materials, and recycled paper, straw and hemp in paper making.

Markets' performance over the past six months suggests the fears may be exaggerated. A combination of high inventories, stagnant consumption and extra capacity (especially from new suppliers such as Indonesia) has put pulp and some paper prices on the skids. A housing slump has held back North American lumber prices.

But judging by the meeting in Montreal, forest-products companies are acting on the assumption that careful forward planning is essential if they are to gain access to all the wood they need.

Certificates for Swedish forests

Efforts to prevent destruction of the world's forests have been reinforced by the announcement that Swedish forest companies and leading international environmental groups have developed a forest certification system.

The scheme will guarantee that Swedish wood originates from well-managed forests and that old-growth forests – vital to the preservation of rare species and biodiversity – have not been destroyed to produce it.

"Never before have industry and environmental organisations come together to develop rules for eco-labelling forest products," says Monika Stridsman, secretary-general of the Worldwide Fund for Nature.

The initiative will greatly increase the amount of forest land certified by the Forest Stewardship Council, an independent international forest certification organisation set up in 1993. FSC-approved bodies have certified 21 forests around the world, a total of 3.79m hectares. But companies signed up to the Swedish scheme, being developed within an FSC framework, own 38 per cent of the country's 23.5m ha of forest. AssiDomän, one of the participants, alone has 3.4m ha of forest.

The Swedes are under increasing pressure from buyers in their main European export markets to provide details of their timber production. Evidence that old-growth forests are being hacked down, or even that cultivated forests are being subjected to savage clear-cutting, risks an immediate boycott.

One group pressing for better standards is the WWF 1995 Plus group, a partnership between the WWF and 65 UK companies. With big wood and paper buyers such as the DIY chain B&Q and retailing groups J. Sainsbury and Tesco as members, the organisation has considerable clout.

Similar pressures are being felt elsewhere, too. In the US, for example, four big paper buyers – McDonald's, Time Warner, Johnson & Johnson and Prudential Insurance Corp – have said they will consider environmental performance when deciding who gets their business.

"The general public has lost faith that the industry is managing its forests well," says Justin Stead, manager of WWF 1995 Plus.

This is acknowledged by Jan Remröd, head of the Swedish Forest Industries Association: "There is a gap between what is happening in our forests and what people think is happening. People do not really believe us when we say we have abandoned destructive techniques."

He insists the Swedish initiative is not just a marketing tool: "We need to defend wood and paper long term against the threat posed by other materials, such as plastic and aluminium."

The system is not going to mean every piece of wood being tracked from its Swedish source to its ultimate destination, which would be too costly and complex. It will more be a question of management systems being agreed and backed by the threat of random site visits to ensure that promises are kept.

There could be sticking points. For example, the Swedes may be able to set their own standards, but it will be hard for them to impose the same discipline on countries such as Russia and the Baltic states where some of their own wood is sourced.

Environmental groups are confident the problems can be overcome. The WWF says certified Swedish forest products could be available "within a couple of years". The hope, too, is that the Swedish model will swiftly be copied by neighbouring Nordic countries Finland and Norway and then by producers such as Canada and the US.

CB-H

ARTS

Television/Christopher Dunkley

Politicians move into the studio

At 4.30 on Monday afternoon, during its coverage of the debate on the Scott Report in the House of Commons – an unusually tense occasion with the benches packed, points of order flying, and emotions running high – BBC2, which had scrapped its scheduled programmes to carry the opening speeches live, flashed up a caption: "Ready Steady Cook will follow at 5.00 pm". At the best of times it would have been a banal parish notice with which to interrupt a state occasion of such high drama but, with exquisite timing, they managed to run it right over the head of Robin Cook, shadow home secretary, just as he reached the peroration in his opening speech for the Opposition. The contrast between serious purpose in the House and the quotidian affairs of television spoke volumes.

Moments later, gesturing mockingly across the table at Michael Heseltine, Cook said "The Honourable Gentleman has been very free with bandying my name around every studio that would let him in during the past week", a reference to Heseltine's appearances on television and radio which had, indeed, been frequent if somewhat tediously repetitive. Of course Cook himself had scarcely been boycotting the studios and his message, too, had become tiresomely familiar. Given that the two men are leading lights in Britain's two main political parties, with direct access to Parliament, why had they been scrambling so keenly from one studio to another?

The received wisdom is that in the 35 years since Robin Day began demanding answers from politicians, the political focus has moved away from the House of Commons and into the television studio. Television, it is said, is where the electors actually see the politicians. Today it is more important for a politician to be able to perform well on screen than to perform well in the chamber of the House. You rarely hear this claim queried, though it is certainly not self evident, and the very existence and atmosphere of Monday's debate suggests that when things come to a head it is still the cockpit at Westminster that really matters. What cannot be denied, however, is that whereas well informed electors would once have taken their political journalism from print, now they are much more likely to take it from television. Is television good at it?

There is certainly much more political television today than even a few years ago, some of it reasonably informative and presented in quite an acceptable manner. *The Midnight Hour*, for instance (Monday to Thursday on BBC2, 12.00 pm, with various chairmen, tonight Andrew Neil, the best of the bunch) is proving to be a place where politicians, journalists and others relax, drop their guard slightly, and occasionally even manage a discussion with remarkably little party point scoring. *A Week In Politics* on Channel 4 at 7.00 on Saturday evenings manages to summarise and illustrate the week's political events in a way that is pleasantly entertaining, thanks to the style of presenters Vincent Hanna and Andrew Rawnsley. (Though Hanna, with his encyclopaedic knowledge of politics, really should know that when John Bright coined the phrase "Mother of Parliaments" he was referring to England, not a building in Westminster).

But the day when you get most political journalism on television is Sunday. Those in the media/politics circus who feel obliged to stay abreast of events either have to set a video recorder or be in front of the set by 8.30am to catch *Breakfast With Frost* on BBC1. David Frost invariably interviews one politician and sometimes several (this week John Hume and David Trimble, Quentin Davies and Rupert Allason, and the ubiquitous Michael Heseltine).

Then, at 12.30, John Humphrys presents *On The Record* on the same channel, and he, too, interviews a politician (this week Peter Mandelson). At 1.10 in *Jonathan Dimbleby* on ITV there is another political interview (this week with Jack Straw) followed by questions from a studio audience; and at 1.30 BBC2 screens Around Westminster, a sequence of regional programmes in which different items of political news are presented for different parts of the country.

Within broadcasting it is commonly believed that the chief factor in political interviews is the toughness of the interviewer. The *Today* programme on Radio 4, where John Humphrys, James Naughtie and Sue MacGregor habitually challenge politicians fiercely, is widely admired by other broadcasters, as is the "Come off it" style of Jeremy Paxman on *Newsnight*. Moreover those among the public who dislike Conservatism enjoy it when Conservative politicians are duffed up, and those who dislike Labour enjoy seeing Labour politicians grilled. The politicians who agree to be interviewed naturally tend to be those best able to deal with hostile questioning: they relish vanquishing a Paxman and enhancing their image. So – interviewers, interviewees, self-selecting public – the system is perpetuated by a virtuous circle.

Very rarely do people stop and ask "Is this the best way for broadcasting to convey politics to the public?" The answer, if they did, would surely be no. If, along with Thomas Delane, 19th-century editor of The Times, you believe that the first duty of the press is disclosure, you are unlikely to find the average political programme awfully useful. Take ITV's Sunday lunchtime programme: it is not called "Politics" or "Politicians" but *Jonathan Dimbleby*. The photographs making up the title sequence are not of politicians but of Mr Dimbleby. And consider the questions, in terms of content, order, and tone: do they serve chiefly to convey political ideas to the viewer or to impress you with the intellect and macho talents of the interviewer?

If information rather than fireworks is the object, you may well get more from a Jimmy Young or a David Frost than from the much admired confrontational interviewers. Though Paxman's clear thinking is admirable – not everyone can think clearly while listening and simultaneously controlling an interview with an irascible politician, all in front of a camera – the duel can be more entertaining than informative. Frost, for all the irritations of his approach (his keenness to put interviewees at ease can border on the sycophantic, and he is as much to blame as anybody for the inflation of "Goodbye and thank you" into "Good bye and thank you *very* much *indeed*) is more likely to achieve revelations than those from the "perpetual challenge" school who constantly force politicians onto the defensive.

Viewers with cable television can now watch the Parliamentary Channel which means that when BBC2 slopes off to do *Ready Steady Cook* they can stay with proceedings in the House right through to the 10 o'clock division, catching every word of the debate if they wish. On Monday it ended in a 319-320 split, and neither *Kavanagh QC* nor the often compelling *Our Friends In The North* could compete with that for drama. As the new technologies, including digital transmission, expand, dedicated channels will increase and more people will have direct access to Parliament. But that is unlikely to stop the expansion of studio politics. All we can hope is that broadcasters ask themselves more often what it is they want to achieve with such programmes.

Ballet/Clement Crisp

Classic Cinderella from Corder

There have been three full-evening ballets created in Britain during the past few months: David Bintley's *Far from the Madding Crowd*, and versions of Prokofiev's *Cinderella* by Matthew Hart and Michael Corder. It is a curious, and curiously sad, aspect of national taste in ballet as our century ends that such big pieces should be a necessity of dance-going. A hundred years ago, such affairs delighted audiences, and *plus ça change, plus c'est la même* old monolith that puts cash in the box-office.

That said, I salute Michael Corder's staging for English National Ballet as welcome proof that classical choreography is alive and well, and not for once looking like the offspring of Caliban and a disco-dancer. Corder made his creative debuts in the 1970s. An elegant, musical dancer with the Royal Ballet, he produced choreographies having just these qualities, which received less than proper encouragement at Covent Garden. For a decade he has worked abroad: a recent creation was *Romeo and Juliet* for the Norwegian National Ballet. Now ENB has invited him to stage *Cinderella*, which I saw on Monday in Bristol, replacing an unlamented Ben Stevenson version, and using a revision of the David Walker designs.

This new version's merits are many. Above all, it is the product of a true classic sensibility. The choreography is "traditional", and rightly so, given the subject and the abundant felicities of Prokofiev's score: "I wished, above all, to express ... the poetic love of Cinderella and the prince" said the composer. Throughout, Prokofiev pays tribute to the Tchaikovsky tradition, and Corder, ever-musical, has obeyed and served him well. Like Prokofiev he is inventive within the context of an established manner, but not abrasively so: He has made dances that sit happily and handsomely both on the music and on their interpreters. There results a dance text felicitous, graceful.

Of course, inevitably haunting Corder's imagination there is the Ashton staging, in which he danced. Avoiding the Ashton example, Corder has opted for a vision far nearer Prokofiev's: he gives us a love story, and avoids the pantomime elements of the Ugly Sisters, which were irresistible when first danced by Ashton and Helpmann but have, since those great originals, become an embarrassment. We now revere the Ashton production for its classical splendours and cringe at its comedy. Corder's Ugly Sisters, like those at the Bolshoi and Kirov (where Makarova was adorably malicious in the role), are seen as classical soloists, mean-spirited but well-danced.

With the removal of this comic element we feast on *dancing*. Corder has opted to use the entire Prokofiev score, and here he might have copied Ashton without fear of plagiarism. Certain opened cuts add little to the emotional action; the inclusion of the voyage divertissement at the start of the third act, when the Prince travels the world in search of Cinderella, cannot make sense unless the full forces of a large company, as in Moscow and Petersburg, are deployed. The music is thin; Corder's inventions are clever, but merely cloud the drama. The wish to fill out an otherwise brief third act is understandable: Corder's subsequent dances and his apotheosis are strong and touching enough to stand on their own.

The abiding impression of this staging is of the assurance and musical aptness of Corder's manner. He is a rare bird – a classical choreographer. He is not a vandal, pillaging the old *language for his own ends*; nor a cross-over artist from modernism, whose feeling for academism is an understanding from the outside only, rather than physically ingrained from a stage career. His dances are secure in a tradition in which he was educated and grew up. With *Cinderella* he has made no innovations, contenting himself – selflessly, in effect – with shaping movement that *sits with entire grace upon the* score. We need not ask for more. And like the Prokofiev, he sees the narrative as serious, lyrical, touched with magic. This *Cinderella* is in harmony with its music.

ENB's artists look very well. I saw Lisa Pavane as a classically secure Cinderella with Greg Horsman as a soaring Prince. His two companions were brilliantly taken by Roman Rykin and Dmitri Gruzdyev, *with* David Peden very good as the dancing master to whom also fall the Jester's dances. (The absence of a capering diamond-cheeked clown is cause for Hosannas). Monica Perego and Elisabeth Miegge were very pleasing Step-sisters, and the first act fairy sequence – cast as four duets for the seasons – was well done, with Ambra Vallo a dazzling Autumn spirit. The marvellous score – I think it superior to *Romeo* – sounded admirably under Patrick Flynn's baton.

ENB brings this staging to the Coliseum London, in March. Sponsored by Digital.

Secure: Lisa Pavane in the title role

Bill Cooper

Music in London

Bruckner's Requiem

The Bruckner/Mozart series at the Barbican offers a full deck of Bruckner symphonies and just a couple of wild cards. These days we are so used to hearing the mature symphonies that Bruckner wrote from his fifties on that it is easy to forget he started composing seriously as a young man – though even then, being Bruckner, he did not exactly write young men's music.

The rarity at Sunday's concert was the Requiem from 1848, composed when Bruckner was a mere 24 (not for him any question of putting off a mass for the dead until late in life). Sacred music was where he began as a composer and he did not progress to orchestral music, let alone symphonies, until middle age. If one wants to know where the patient, wise, reverential Bruckner of the great last three symphonies came from, the Requiem is probably as good a place to start as any.

Until now, the pairing of Bruckner with Mozart in this festival may have seemed arbitrary, but hearing this Requiem makes one think again. So often Mozart's own Requiem seems to be hovering in the background, an inspiration for the outline and even sometimes for the detail. There is the same purposeful tread (no spacious Brucknerian adagios here) and straightforward writing for the chorus. Bruckner does try his hand at the traditional fugue for "Quam olim Abrahae", but wisely does not stretch his technical ability for long.

Given that he was still at the learning stage with this Requiem, Bruckner presented himself with a clear-cut lesson: the simpler he made his music, the better the effect. Much of this score is unmemorable, but when he suddenly restricts himself to unaccompanied male chorus for the "Hostias", he affords a glimpse of the master he would become. The men of the London Symphony Chorus made a brave stab at that section, and some of the solo music also has its moments: mezzo Patricia Bardon and bass Peter Rose found the right gravity of tone, with soprano Rebecca Evans and tenor Barry Banks in support.

For one night the London Symphony Orchestra was taking a rest and sharing the limelight – not to mention the risk involved in putting on a rarity – with the Scottish Chamber Orchestra. Charles Mackerras, the SCO's conductor laureate, was in charge and he searched out every morsel of musical interest in the score, as he has done so often with other little-known pieces. Overall, it was probably as good a performance as the Requiem has had.

Still, the SCO's calling-card with Mackerras is not Bruckner, but Mozart. Together they have recorded most of the major Mozart operas and on Sunday they brought the same warm and lively playing to the Overture to *Die Zauberflöte* and the Symphony No 41. Mackerras has lived to see the ideas on performing Mozart that he championed years ago accepted as the norm today, but marvellously nothing he does sounds at all didactic. The last movement of the symphony was pure joy.

Richard Fairman

Maazel and the Pittsburgh

By a quarter-to-ten last Wednesday night, Lorin Maazel was in right good humour and so were his players in the Pittsburgh Symphony Orchestra. The March from Bizet's *L'Arlesienne* brought their European tour to a buoyant end: it was the third encore of their Royal Festival Hall concert, following two lavishly characterised Hungarian Dances by Brahms. The array of percussion reserved for that moment showed it had all been planned, but it was also well deserved.

The evening opened with Sibelius's fiercely combative Finlandia, which gave the Pittsburgh's uninhibited brass section a good chance to air their lungs. On a more refined level, Sibelius's Violin Concerto set off the remarkable talent of 21 year-old, Lithuanian-born Julian Rachlin as soloist. He is still studying in Vienna but he played like a master, dazzling with his sumptuous tone and confident athleticism. Commanding, too, in his expressive authority: this was a real heart-throb performance. Some of the upward sallies in the finale suggested the wild freedom and gushing ardour of a central European gypsy rather than the icy extremities of Finland, yet Sibelius's rhythmic ingenuities invite a bit of swagger. Rachlin made the stratospheric harmonics snake about seductively, adding a touch of mischief that Maazel was obviously happy to collude with. Rachlin capped this tour-de-force with an unexpected bonus in Ysaye's Ballade.

Maazel seated the orchestral violas on the audience's right – effective for their bit of the melody in the Intermezzo interrotto fourth movement of Bartók's Concerto for Orchestra.

As usual, he conducted everything from memory, interpreting with his gestures as much for the audience as the players. At the end of Bartók's "Gioco delle Coppie", the Concerto's second movement, the side-drum player hardly needed his final diminuendo so fulsomely mimed from the rostrum. Yet with or without the visual embellishments, this was a real virtuoso performance which proved the quality of the whole orchestra. It also showed some refined playing from all of the woodwind in turn, and in Bartók's most humane and optimistic finale, a good old blast from the brass to meet Sibelius on his own ground.

Adrian Jack

INTERNATIONAL
ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Borodin Quartet: perform Tchaikovsky's String Quartet No.2 in F, R. Schumann String Quartet No.3 in A, and Schubert's String Quartet No.12 in C minor (Quartettsatz); 8.15pm; Mar 2.

BARCELONA

EXHIBITION
Fundació Antoni Tàpies
Tel: 34-3-4870315
● Francis Picabia. Máquinas y Españolas: an exhibition of around 150 works from five significant periods by the Paris-born painter (1879-1953); to Mar 3.

BERLIN

DANCE
Komische Oper Tel: 49-30-202600
● Requiem!!: a choreography by Birgit Scherzer to music by Mozart performed by the Ballett Komische Oper; 8pm; Feb 29.
OPERA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Oedipe: by Enescu. Conducted by Lawrence Foster and performed by the Deutsche Oper Berlin; 7.30pm; Mar 1.

BONN

OPERA
Oper der Stadt Bonn
Tel: 49-228-7281
● Don Giovanni: by Mozart. Conducted by Shuja Okatsu and performed by the Oper der Stadt Bonn; 7pm; Mar 2.

DENVER

EXHIBITION
Denver Art Museum
Tel: 1-303-640-2793
● Norman Rockwell Art Tour of America: from Mar 1 to Mar 3.

DRESDEN

JAZZ & BLUES
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Jazz-Abend – Improvisationen: performance by Mack Goldsbury on saxophone, flute and clarinet, and Andreas Böttcher on piano, vibraphone and synthesizer; 8pm; Mar 1, 2.
OPERA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Les Contes dHoffmann: by Offenbach. Conducted by Siegfried Kurz and performed by the Sächsische Staatsoper Dresden;7pm; Feb 29; Mar 8.

GLASGOW

CONCERT
Glasgow Royal Concert Hall
Tel: 44-141-3326633
● The Royal Scottish National Orchestra: with conductor En Shao and pianist Janis Vakarelis perform Mozart's Symphony No.17 and Piano Concerto No.20, Wu's The Shadow of Moonlight, and Bartok's The Miraculous Mandarin; 7.30pm; Mar 2.

LEIPZIG

OPERA
Oper Leipzig Tel: 49-341-1281261
● Il Barbiere di Siviglia: by Rossini. Conducted by Bareza and performed by the Oper Leipzig and the Gewandhausorchester; 7.30pm; Mar 1.

LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● Steven Isserlis and Olli Mustonen: the cellist and the pianist perform works by Martinu, Sibelius, Janacek, Bloch and Shostakovich; 4pm; Mar 3.
Queen Elizabeth Hall
Tel: 44-171-9604242
● Alban Berg Quartet: perform Mozart's String Quartet No.18 in A and String Quartet No.17 in B flat (Hunter), and Berio's Notturno Quartetto III; 7.45pm; Feb 29.
OPERA
London Coliseum
Tel: 44-171-8360111
● Tosca: by Puccini. Conducted by Alex Ingram and performed by the English National Opera. Soloists include Janice Cairns, David Rendall and Phillip Joll; 7.30pm; Mar 1, 5.

MUNICH

CONCERT
Philharmonie im Gasteig
Tel: 49-89-48098625
● Alexander's Feast: by Handel. Performed by the Chor und Kammerphilharmonie des Mitteldeutschen Rundfunks, Leipzig, with conductor Simon Preston;8pm; Feb 29.

NEW YORK

CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● New York Philharmonic: with conductor Leonard Slatkin and pianist Jeffrey Siegel perform works by Gershwin, Bernstein and Ives/Schuller; 2pm; Mar 2.
Carnegie Hall Tel: 1-212-247-7800
● Richard Stoltzman and Lukas Foss: the clarinettist and pianist perform works by Gershwin, Copland, Ives, Reich, Foss, Hindemith and Bernstein; 8pm; Mar 1.

OSLO

CONCERT
Oslo Konserthus Tel: 47-22-834510
● Oslo Filharmoniske Orkester: with conductor Eija Oue. Mozart's Symphony No.25, Albrechtsberger's Concerto for Alto Trombone and Orchestra, and Mussorgsky's Pictures at an Exhibition; 7.30pm; Feb 29.

PARIS

CONCERT
Cité de la Musique
Tel: 33-1 44 84 45 00
● Orchestre du Conservatoire: with conductor/viola-player/violinist Shlomo Mintz perform works by Hindemith, Mozart and Brahms; 8pm; Mar 2.

ROME

CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Emerson Quartet: perform Beethoven's string quartets Nos. 12 and 15; 8.45pm; Mar 1.

SEATTLE

EXHIBITION
Seattle Art Museum
Tel: 1-206-625-8900
● Morris Graves: Flower Paintings: exhibition of 18 paintings by the American artist Morris Graves; from Mar 1 to Aug 4.

STUTTGART

DANCE
Staatstheater Stuttgart
Tel: 49-711-20320
● Stuttgart Ballett: perform Marius Petipa's Paquita to music by Minkus, George Balanchine's Chaconne to music by Gluck, and a choreography by Uwe Scholz to Bartók's Piano Concerto No.1; 7.30pm; Feb 29; Mar 1.

SYDNEY

CONCERT
Concert Hall Tel: 61-2-250-7111
● Sydney Opera House Orchestra: with conductor Anthony Walker, the Sydney Philharmonia Choirs and the Sydney Philharmonia Symphonic Choir perform Szymanowski's Stabat Mater and Fauré's Requiem; 8pm; Mar 1.

VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Thomas Moser: The tenor performs songs by Beethoven and Schubert; 7.30pm; Mar 1.
EXHIBITION
Kunstforum der Bank Austria
Tel: 43-1-5320644
● Van Gogh and the Hague School: 90 works by Van Gogh in juxtaposition to 70 works by artists of the Hague School,from Feb 28 to May 27.

WASHINGTON

EXHIBITION
National Gallery of Art
Tel: 1-202-7374215
● Harry Callahan: exhibition examining Callahan's contribution to American photography. From Mar 3 to May 19.

WORLD SERVICE
BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (483m)

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Midnight
Financial Times Business Tonight

Edward Mortimer

Surfeit of good things

The right to vote can be meaningless if the real choices are left to the market and those elected are powerless to act

Free economics is a necessary condition for free politics. But you can have too much of a good thing.

America won the cold war. History ended with the triumph of economic and political liberalism. All other ideologies abandoned the field. Nothing is left for people to fight about except competing ethnic and cultural identities: "the clash of civilisations".

Then why are Americans so unhappy? Why do solid citizens in Iowa and New Hampshire vote for a man whose policies could best be summarised as "stop the world, I want to get off"?

Of course Pat Buchanan has not yet been nominated Republican candidate, let alone elected president. All the pundits assure us he still will not be. All he has done so far is persuade a lot of religious activists to turn out for meetings on a winter evening in Louisiana and Iowa, and then win a narrow plurality of votes among supporters of one party in New Hampshire.

Never mind. Buchanan has seized the initiative and got the Republican establishment running scared. None of the other leading candidates now dares to be seen as the candidate of successful American businesspeople – except perhaps Steve Forbes. None campaigns on a clear free-trade platform, proclaiming the North American Free Trade Agreement and the Uruguay Round as great achievements of the last Republican administration. Certainly none dares defend the United Nations as a great American creation or an indispensable instrument of US foreign policy – even though George Bush, the former president, mobilised the UN so skilfully in the Gulf war five years ago.

However much they disagree with his remedies, all candidates know Buchanan has touched a sore point in the American psyche. Americans are not happy. They are not exuding the self-confidence and "can-do" spirit which followed their victory in the second world war. Materially they are much better off, on average, than they were then. But they do not feel secure. They feel their jobs and their way of life are threatened by economic and technological change.

Undoubtedly their chances of finding another job, if made redundant, are better than those of their European counterparts. But many know from experience that changing jobs can mean moving down the income ladder, not up. The market may do its job of maximising efficiency and productivity. That is no consolation to individuals who find the market value of their skills is going down.

If that is true for Americans, how much more so for people in Russia and other countries where market forces are being unleashed after decades of state control? Many young, enterprising, acquisitive Russians are undoubtedly benefiting, and many Russian economic indicators are now encouraging, if one assumes the reform process will continue roughly on course. But for many individual Russians – perhaps even a majority – the immediate personal consequences are catastrophic. Gennady Zyuganov, the Communist leader, is the Russian equivalent of Pat Buchanan – except that he appears to have a much better chance of actually becoming president.

> Private choices by consumers are not the same as civic choices by citizens. Leaving everything to the market deprives citizens of the chance to make collective choices

Benjamin Barber, a leading US political scientist, has neatly encapsulated the contradiction of our times in the title of his book, *Jihad versus McWorld* (Times Books, $25).

McWorld is the world of McDonald's hamburgers, of "globalisation". Puck's boast (in Shakespeare's *A Midsummer Night's Dream*) that he will "put a girdle round about the earth in 40 minutes" is far surpassed by today's reality: images, ideas, even investments (but not refugees or migrant workers), can accomplish the same feat in a few seconds. The result is a global marketplace and a homogenised culture. The rest of the world perceives this phenomenon as Americanisation, but Buchanan speaks for those Americans who feel no less threatened by it.

Jihad is a Moslem term roughly equivalent to "crusade", but used by Barber to cover all the "new tribes": people desperate to preserve their traditional identities, whether ethnic, national or religious (Buchanan is an American version of "jihad"). Such people resist globalisation but are also a product of it: the Serb gunner on the hills above Sarajevo wore the same Adidas sneakers, and was listening on his personal stereo to the same Madonna tapes, as his victims in the city below.

What has gone wrong? In Barber's view the identification of democracy with markets is a "deep and dangerous confusion". Private choices made by consumers are not the same as civic choices made by citizens. Leaving everything to be decided by the market deprives citizens of their chance to make collective choices.

The British political scientist David Beetham makes the same point, in a paper given to a recent conference at the University of Warwick. He said: "The more we emphasise individual choice – in health, education, transport, etc. – the more we abandon any collective control over the consequences of these choices, and the shape and distribution of provision between different sections of the population."

Twenty or 30 years ago, "direct democracy" was the fashion. We were all supposed to become full-time citizens, spending all our time at meetings. They tried it in Portugal after the 1974 revolution, with the result that the Communist party almost came to power: a well-organised minority, with members prepared to stay at meetings until everyone else had gone home.

Now the pendulum has swung right over, and the slogan is *caveat emptor* (let the buyer beware). We are supposed to be full-time consumers, spending all our time poring over copies of *Which?*, deciding which product is best value for money.

The truth is, most of us don't want to be either of these things. We want to be assured of a minimum standard of government, and a reasonable choice of goods and services with some protection for consumers against unsafe products or outright fraud.

We want the chance to vote a corrupt or incompetent government out of office, and the chance to switch suppliers if a product is unsatisfactory. But we have other things to do in life, and we want to get on with them.

Too much democracy kills the market, because "the people", or an authority acting in their name, take all the decisions collectively, leaving nothing to the individual. But too much market may also kill democracy. If every choice is left to the market, the right to vote becomes meaningless, because the people you elect have no power to change anything.

No doubt the market is a necessary condition for democracy, as water is for life. But you can also drown…

LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e-mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Common conflicts in stock exchange ownership

From Mr John Brewer.

Sir, A key principle of Hong Kong's company law – which applies equally to the stock exchange as it does to any company listed on it – provides that a company's board must act in the best interests of the company as a whole. You Lex columnist was right "London Stock Exchange", February 26) in identifying the huge conflict of interest that exists when an exchange tries to fulfil public utility expectations while owned by a small group of broker-members.

That very issue was brought to the fore in Hong Kong in late 1994 in a report co-authored by Bob Fell, formerly the London Stock Exchange's first chief executive. More recently, the Australian Stock Exchange's board of directors has taken a hard look at its ownership. In both cases, a public listing of the exchange has been mooted.

Corporate governance and the regulation of monopolies have stared each other in the face rather uncomfortably since the days of England's medieval guilds and chartered trading companies. The shortcomings identified by Lex do not make stakeholder theory any less woolly than it already is. But they do suggest that, unless the interests of a broader range of market participants can be reflected through a wider ownership structure, the privilege of listing securities as a competent authority should be made more widely available.

John Brewer,
chief executive,
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22/F Prosperous Building,
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Causeway Bay, Hong Kong

Perspectives on history are different

From Mr Michael Moore.

Sir, Dr Jürgen Pfister of Commerzbank (Letters, February 23) demonstrates the different views of German history from the English and German perspectives. The hyperinflation of 1923 after the French occupation of the Ruhr got rid of the French, left unemployment around 10 per cent and the Social Democrats in power. To German bankers this is more fearful than the attempt to reduce wages in 1930-33, which put unemployment to 30 per cent and Hitler into power.

Perhaps monetary union is a just revenge for the Treaty of Versailles, but as J.M. Keynes said in *The Economic Consequences of the Peace*, it will not benefit the avengers.

Michael Moore,
Peveril,
58 The Ridge,
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UK

Strong stand essential on China CD piracy

From Mr Brendan Dodge.

Sir, I am responding to the article entitled "Fresh drive to cut China CD piracy" (February 22). I hope the US and the European Union take the advice of the music industry. They need to let China know that it needs to take the agreement with the US on intellectual property rights seriously. Mr Nic Garnett, director-general for the International Federation of the Phonographic Industry, said the situation last year "got worse, instead of better". That is sad. More than half the CDs and cassettes sold in China are pirated, according to the IFPI.

It is essential that a strong stand on piracy be taken now. The market for music CDs, CD-Rom software, and movies on laser disc is growing rapidly. If piracy is not stopped now it will continue to expand with the expanding markets stealing more and more from the industry. If China will co-operate, the problem of piracy in China can be curtailed, and its new market will provide a large boost to the world entertainment and software industries.

Brendan Dodge,
1848 North Cool Creek Ave,
Meridian,
Idaho 83642, US

McDonald's lesson in being family friendly

From Ms Katherine F. Rozei.

Sir, I read with interest Andrew Jack's article "McDonald's makes fast-food inroads on the French palate" (February 21) describing McDonald's astronomical growth in France since the late 1970s. As a former resident of France who continues to travel there often, and more importantly as a parent of a young child, I noted the article omitted one important factor in explaining the increasing French preference for eating at McDonald's.

Perhaps just as important as changing patterns of French consumption and low prices is the fact that McDonald's is a child-friendly restaurant. It (and other fast-food chains) is the one restaurant in France where parents who wish to dine with their children may comfortably go with the expectation of enjoying their meal. Not only does McDonald's provide an atmosphere and environment which is welcoming to children and food that is easy for them to eat. And it is the one place where parents can go and not expect to be greeted by the scowling faces of other patrons and restaurant managers/workers alike. McDonald's is certainly not my first choice for culinary satisfaction; however, if French cafés and brasseries wish to survive, they would do well to heed its example and make their businesses more family friendly and welcoming.

Katherine F. Rozei,
6453 East Windsor Lane,
Norcross, Georgia 30093, US

Japanese competition would seem to have a limited future

From Professor Ronald Dore.

Sir, Pamela Meadows' Personal View ("When growth fails the unemployed", February 27) seems to favour the third of the three options for dealing with the UK unemployment problem which she so lucidly surveys – paying more for our railway tickets so that stations can be decently staffed. Maybe even paying more local taxes to de-privatise refuse collection, creating more jobs in which even those whose energy levels are not up to working more than 35 minutes in every paid hour can still make ont?

It is, indeed, well called the Japanese option. How long Japan should continue to retain it was a matter furiously debated at a conference, "Capitalism in the 21st century", in Japan's Ministry of Finance earlier this month.

The crux of the matter is competition. Pamela Meadows, echoing the Blair/Major consensus, says that we should welcome the way European societies have become more competitive and efficient. But "there have been some less desirable side-effects".

What she does not acknowledge is that there is a real trade-off. Yon cannot have the no-holds-barred competition British society presently favours without those side-effects. The Japanese keep up employment precisely by the limitation of competition.

This is done partly by regulation, partly by cartels. No petrol station can steal a march on its rivals by sacking employees and going self-service, because the fire regulations won't permit it. The slowing down of the growth of supermarkets keeps up less-efficiant retail employment.

As for cartels, look at newspapers. Compared with the UK, grossly overstaffed by any words produced per journalist criterion. But viable because there is either an implicit or explicit cartel which rules out Murdochian price wars. They compete fiercely in news and features, sponsoring concerts and baseball teams, but not on price.

It probably won't last. On the one hand, external pressure, with US trade representative, Mickey Kantor, and EU trade commissioner, Sir Leon Brittan, constantly clobbering the Japanese for dragging their feet on deregulation. On the other, the very real "policing" problem which requires a consensus abont the criteria for separating socially useful carteis from conspiracies against the public.

Those of us at the conference who argued: "Stick with it; competition and efficiency are not the only ends in life" were a distinct minority, greatly outnumbered by Japanese economists with PhDs from Berkeley and Chicago, true believers in the supreme virtues of competition. Which is, after all, not just the Blair/Major consensus but the worldwide neo-classical economics consensus.

Will America's social problems eventually become so serious that that consensus changes?

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Two countries inside one

Brazil's north-east is losing out in the fight for big investment projects, says Angus Foster

While diplomats clinked glasses to celebrate the introduction of the Mercosur customs union on January 1 last year, states in north-eastern Brazil were savouring a less sweet prospect. The union, which links Brazil to Argentina, Paraguay and Uruguay, is likely to suck even more big investment projects into Brazil's rich sonth at the expense of the poor north.

The north-east bas already been forced to fight harder to win investment. Central government's budget problems have redneed the amount of money available to persuade investors to locate to poorer regions. And economic reforms aimed at giving the private sector a greater role in industrial development have reduced the government's ability to direct investment to such areas.

Mr Jorge Khoury, industry secretary in Bahia state, says he agrees "philosophically" with a more open economy, hut urges the central government to do more to help poorer regions. "Otherwise, uniform policies for a country which has such inequalities is bad for us, and will perpetuate two Brazils," he says.

The gap between rich and poor Brazil does, indeed, look like that between two countries. The average head of a bousebold in the north-east earns half the wage of his equivalent in the south-east, dies 10 years younger and is twice as likely to be illiterate.

To reduce these differences, past governments have offered generous incentives to persuada companies to move to the north. For example, Alcoa Aluminio, the Latin American arm of Alcoa of the US, was persuaded to build a rolling mill in the state of Pernambuco, in spite off its distance from the source of raw materials in the Amazon and from consumer markets in the south.

Government projects, such as a petrol refinery outside the Bahian city of Salvador, also created regional industrial centres. Investments like these will no longer be attractive following the approval of Mercosur – especially given the government's cash shortage. With more than 60 per cent of Mercosur's wealth and population lying within the São Paulo-Buenos Aires axis, big investments look increasingly headed for the south.

Bnt Mr Rafael Lncchesi, a Bahia-based economist, says Mercosur does not have to mean bad news for the region. Bahia's exports to Mercosur almost doubled to $190m between 1991 and 1994, as the trade barriers came down. This is a slower rate of growth than in southern states, but tropical northern Brazil can offer different products to the temperate south, sucb as tropical fruits like mango and acerola.

Although big investments may no longer bead for the nortb-east, smaller ventures are moving into the region. Brazil's recent economic stability since the 1994 introduction of the Real currency has led to an explosion of consumer spending by people who were too poor previously to afford anything except food.

For a state like Bahia, which has a population of 12m and accounts for 40 per cent of the north-east's economy, this means large numbers of new consumers with money to spend. Companies are still cautious about investing until economic stability seems assured. But some consumer goods companies, including manufacturers of food, bygiene products and paints, are considering shifting production to the north-east, instead of transporting prodncts tbere from southern factories.

This development of regional manufacturing centres means big savings on high transport costs for industries which can build small factories cheaply. Brahma, Brazil's biggest brewer, announced earlier this year it was building a new factory in the state of Sergipe to aerva tba region's market. Another brewer, Kaiser, plans to build breweries in Pernambuco and Ceara.

But serious barriers to development remain for the states in the region. Their reputation for conservative, and corrupt, politics dissuades some foreign investors, and poor education atandards mean there is no reservoir of well-trained staff to provide a workforce.

The region's infrastructure is also poor. Exporters complain the region's potential advantage of being closer to Europe and the US is lost because the north-east's ports are inefficient. Tourism, seen as a large potential employer along tha coast, has been hampered by fragile air and road links. Large tourist centres, such as Porto Seguro in southern Bahia, lack adequate water and sewage systems.

Finding money to improve infrastructure links will be difficult. Several state budgets, including those in Alagoas and Maranhão, are in dire straits with 90 per cent or more of revenues committed to government salaries and no money left to invest.

Mr Khoury says the central government has a responsibility to spend more. "It's all right for the central government to ban privileges, but we need to maintain our rights as part of a federation," he says. "The north-east is not just a problem for the north-east, but for the whola of Brazil."

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COMMENT & ANALYSIS

FINANCIAL TIMES
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An outline for EU reforms

The European Commission will today finalise its proposals for the next round of constitutional reform of the European Union, the clumsily-named inter-governmental conference, to be launched in Turin at the end of March. The Dutch have already come up with their ideas, and the French and Germans published theirs last night. Predictably, they all go a good way further than the British government is ever likely to. And yet there may be more room for consensus than most sceptics have thought possible.

The main criticisms of the forthcoming IGC have been that it is premature and unfocused. It is supposed to streamline the workings of the union, to prepare for the expectation of a swathe of new member states from central and eastern Europe after the turn of the century. It is also intended to reinforce the much-maligned common foreign and security policy of the union, the so-called second pillar, and strengthen co-operation on justice, immigration and crime fighting, the third pillar.

The trouble is that the next enlargement of the EU is still several years down the line, and few member states seem ready to concentrate on making concessions until it is much closer. It is as if only the prospect of imminent decision-making paralysis will make them introduce the necessary institutional reforms.

Having said which, one must admit that the Commission has come up with challenging ideas which will force clarity into the debate. For a start, its proposals begin from the essential premise that reform is needed to make it possible for enlargement to happen at all.

It calls for "the systematic discarding of unanimous decision-making", that is the progressive removal of the right of national veto. That may be less earth-shattering than it sounds. Majority voting already exists in the main areas of EU legislation, like the common agricultural policy and the single market. The Commission goes further, proposing "super-qualified" majority voting in sensitive areas like fiscal policy. That would appear to mean that one member state might not be able to block a policy, but two might.

The Commission is also adamant that most co-operation in the "third pillar", such as combating fraud, terrorism, organised crime and drug trafficking, should be brought under normal EU rules. That will be anathema to the present British government, but most EU member states could go along with it.

France and Germany have concentrated their main focus on beefing up common foreign and security policy. To get round the problem of how to introduce majority voting in that acutely sensitive area, they are proposing the principle of "constructive abstention". That means if one country does not want to participate in any policy, it can abstain. But all countries will be required to show "diplomatic and financial solidarity" for common policies agreed by the rest.

That would already be going a long way, very possibly too far for the British. The UK white paper on the IGC is promised by mid-March. Yet there is common ground. Britain also wants a more effective second pillar, and might be prepared eventually to consider the Franco-German approach. It wants a more efficient and transparent EU, and it wants enlargement to go ahead. It must approach the talks in a spirit of negotiation, not of confrontation.

Green Labour

The Labour party has not worn the mantle of environmentalism easily in the past. It has feared, with some cause, that "green" policies would cost jobs. According to Mr Tony Blair, all that has changed. Yesterday, in a lengthy speech, he ranked environmental protection alongside economic dynamism and social justice in the party's objectives.

Mr Blair should be given credit for tackling the questions head on. But he has stalled at many of the hurdles which defeated his predecessors. In tackling the central question of how environmental protection will be paid for, he has also found no better answer than the government – indeed, he has borrowed much of its language in pretending that the circle can be squared.

Take energy policy. The decline of the coal industry, the electricity generators' "dash for gas" and the rise of nuclear power – all developments Labour attacked or questioned – have helped curb emissions of global warming gases. Would Labour support a continuation of the trend? Mr Blair is silent, resting his hopes for further curbs on energy efficiency.

But in that arena, his plans confront the problem which has largely derailed the government's energy efficiency schemes: consumers' reluctance to pay. Mr Blair suggests an extensive home insulation programme, which he estimates could create 50,000 jobs, might be paid for by the utilities. He does not, however, explain why they should do this.

Similarly, current public opposition to road building reflects lack of investment in alternative public transport, says Mr Blair. In part, he is right – but he stops well short of pledging more money for public transport.

The point he ducks throughout is the one which has caused most environmental policies to founder: cleaning up pollution costs money. In dodging this point, Mr Blair employs the same fallacy which government ministers have brandished for years: that "greener" means richer. Improving efficiency in the use of natural resources often means using other resources, such as labour, less efficiently, and may also involve costly investment. The rise of an environmental protection industry – usually low-technology – does not necessarily compensate.

When environmental policies are implemented their costs become apparent; they often promptly become unpopular. But provided Mr Blair avoids drawing attention to that fact, his appeal to the environmental conscience of "my generation" may help win the green vote.

Restringing Nasa

The loss of Nasa's $440m satellite-on-a-string gives critics another chance to attack the space agency for incompetence. But the accident – the snapping of a shoelace-thin cable that connected the satellite to the shuttle Columbia – should not distract from the improvements made over the past three years in Nasa's efficiency and scientific responsiveness.

The last big mishap – the loss of the $1bn Mars Observer mission in 1993 – followed a string of managerial and technical failures going back to the 1986 Challenger disaster; it convinced the Clinton administration that the agency needed radical reform. Dan Goldin, head of Nasa, has obliged by implementing his "faster, better, cheaper" policy.

Nasa has already shed 20,000 jobs and plans to cut 35,000 more. Layers of bureaucracy are disappearing. Its $14bn a year budget is shrinking.

But Mr Goldin understandably gets upset when people focus on declining "inputs". He would rather be judged by rising "outputs". By redirecting Nasa's scientific spending away from a few elaborate and expensive missions typically costing $1bn or more each, towards a larger number of cheap projects with a cost ceiling of $150m each, he has managed to start 25 new programmes. For less than the cost of the ill-fated Mars Observer, Nasa plans to send a small fleet of spacecraft to the red planet over the next few years.

While Mr Goldin seems to have sorted out Nasa's unmanned scientific activities, the agency is still weighed down by two manned programmes dating back to the 1970s: the shuttle and the space station. In retrospect, the space station looks like a huge mistake. Although its first components will not be launched until 1997-98, Nasa has already spent $10bn preparing to build a permanently manned structure in orbit. Billions of dollars were wasted, as engineers endlessly redesigned the station to meet new political and financial demands from Congress and Nasa's international partners.

To cancel the space station now would compound the waste. Better stick with the final design, agreed by all parties, and the target of completing the first phase by 2002 at a cost of $17.4bn.

But Nasa's greatest challenge over the next few years will be to develop a successor for the ageing shuttle fleet. If the US is to maintain its inspiring long-term goal of sending human explorers through the solar system, the next step must be a flexible launcher that can carry people and goods into space and back far more cheaply and safely than the shuttle.

A drive into the fast lane

Western carmakers are increasingly optimistic about their expansion in the former Communist states of central Europe, says **Kevin Done**

The car industry is on the move across central Europe. Six years after the fall of communism, the world's leading carmakers and the components suppliers that follow in their tracks are increasingly confident about the region's prospects.

General Motors, the world's largest vehicle maker, exemplifies the mood. It is poised to build its first integrated car manufacturing plant in central Europe at one of four *short-listed sites* in southern Poland. "We want to put the first spade in the earth in April," says Mr Scott Mackie, GM Europe's vice-president for planning.

After the decline following the fall of the Berlin Wall, gross domestic product in the region's countries is increasing at between 5 per cent and 7 per cent a year. Inflation is largely under control, and local currencies are stable or appreciating.

Demand for new cars last year "exceeded expectations", says Ms Carol Thomas, analyst at DRI Europe, the London-based automotive consultants. Sales in the seven countries surveyed by DRI in central Europe – Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia – rose by 7.3 per cent to about 604,000. Demand is forecast to rise by at least 10 per cent a year for the rest of the decade to reach more than 1m in 2000, compared with expected growth of only 2 to 4 per cent a year in western Europe.

The motor industry is in the vanguard of the economic reforms taking hold throughout the region, improving efficiency and quality and introducing modern management techniques. In Mlada Boleslav, north of Prague, the prison block that once housed part of the labour force for the old Skoda car plant has been demolished. In its place stands Skoda Automobilova's gleaming new paint plant. Alongside, new final assembly lines are taking shape as Volkswagen, Skoda's parent company since 1991, aims to create its most efficient plant.

Unsurprisingly, German motor industry leaders warned two weeks ago that by the end of the decade a further 100,000 jobs could be shed in the German car and components sector, generally acknowledged to have the highest cost base in the world.

A significant number of those jobs could move to central Europe, as the restructuring of the car and components industries in Poland, the Czech Republic, Hungary and Slovakia gathers pace. New capital-intensive operations may still be sited at traditional locations in the west, but labour-intensive activities are moving out.

"Take wiring harnesses," says Mr Graham Bell, director of marketing and operations planning in Europe at Delphi Automotive Systems, the world's biggest motor components group and a subsidiary of General Motors. "At one time, our production was concentrated around the centre of western Europe. Now it is in Turkey, Tunisia, Portugal, Ireland, Hungary, the Czech Republic and Poland."

It was quickly apparent, as borders opened, that central Europe could provide a new source of low-cost but skilled and well-educated labour. Conservative estimates show that labour costs in the region are still less than a tenth of German levels, and privately some manufacturers say the gap is much greater.

But labour rates and a supply source for low-cost components and products that can be exported to the west are now only part of the story. Step by step the carmakers want to establish capacity inside central Europe to serve the growing domestic markets. This is the significance of the latest GM move in Poland.

Like several rivals, it had established so-called screwdriver plants – small volume, low investment, kit assembly operations – chiefly as a means of circumventing tariff barriers. The test was always going to be whether such operations would simply disappear as import duties were eliminated, or whether the markets could reach sufficient size to support investment in fully-fledged car manufacturing operations.

GM believes that, at least in the case of Poland, the biggest market in central Europe with a population of 39m, the time has come to make a big investment. "We doubled sales last year," says Mr Mackie. "We have got our foothold and we want to grow with the market. We have increased our dealer network, and we have established enough presence to justify the leap to a more significant facility."

GM is planning to invest around DM500m in the first stage of the project aimed at creating a capacity to build 70,000 to 100,000 cars a year. Unlike its existing small volume assembly plant in Warsaw, to which complete painted bodies and kits of parts are supplied from Opel plants in western Europe, the new facility will be an integrated plant with its own metal stamping, body welding, paint shop and final assembly.

Production, most probably of a re-engineered, low-cost version of its current Opel/Vauxhall Astra small family car, is due to start in 1998.

Purchasing power in central Europe still lags far behind western Europe, and GM has concluded it must develop a product tailored to the region if it is to make bigger inroads in the market.

As the carmakers add manufacturing capacity, they have also embarked on reform of other parts of the business chain, most importantly their dealer networks and components suppliers. They are seeking to establish western-style exclusive distribution networks, run by private entrepreneurs, that can offer a full range of sales, service and parts support, as well as consumer finance.

Fiat of Italy, a pioneer in eastern Europe which currently controls about 51 per cent of the Polish new car market, has increased the share of private dealerships in its 100-strong network from 55 per cent in 1992 to 90 per cent last year, while the share of exclusive Fiat group franchise dealers has risen from 20 to 71 per cent.

Credit facilities at the dealerships are also becoming available, as inflation and interest rates fall.

"Only a couple of years ago, you could not get loans for a car from the banks. It was like taking part in a Kafka novel with endless forms and months of waiting. You had to take along a suitcase of cash to buy a car," says Mr Bertrand Gossart, director of Renault Credit International in Poland. Renault increased its sales by 49 per cent in 1995 to 8,000. In 1994, 90 per cent of Renault cars in Poland were bought for cash. Last year, credit-financed sales jumped to 25 per cent, and the company aims to finance 35 to 40 per cent with credit offers in 1996.

On the production side, similar fundamental change is occurring in the components sector. Volkswagen's takeover of Skoda has acted as a catalyst for the restructuring and modernisation of the entire Czech components industry and led to more than 40 joint ventures between western producers and Czech suppliers, and the setting-up of 15 greenfield site plants.

Fiat Auto Poland has increased its local content level to around 73 per cent from 55 per cent in 1992.

GM is opening a regional components and materials purchasing office for central Europe in Warsaw, and purchases in the region are expected to rise to DM1.6bn a year by 2000 with Poland accounting for about 40 per cent.

For all the promise of new opportunities and growth in central Europe, the established US and west European carmakers are still advancing with caution, while the Japanese are scarcely on the map, except for a modest Suzuki venture in Hungary.

There is one exception. For Daewoo of South Korea, eastern Europe has beckoned like the promised land. Its much bigger rivals are still gaping with astonishment at the audacity – or foolhardiness – of the strategy, but Daewoo has chosen to make eastern Europe the centrepiece of its vehicle manufacturing operations for the whole of Europe.

In less than two years, it has taken control of a series of beleaguered former state-owned vehicle makers in Romania (Oltcit), the Czech Republic (Avia) and Poland (FS Lublin and FSO), and has built a car plant in Uzbekistan.

It is promising to invest $1.1bn at FSO, $340m at FS Lublin and $900m at Rodae in Romania, with a total capacity to produce around 500,000 vehicles a year across the full range of cars, vans and trucks and with engines, gearboxes and components exchanged between plants.

"These are the smallest figures for our expenses for the modernisation and development of those factories. It would be difficult today to estimate the maximum investment of Daewoo in the Polish car industry," says Mr Yoo Choon-Sik, president of Daewoo Motor Poland.

Western producers believe that Daewoo has underestimated the enormous challenge of transforming the outdated, monolithic operations of former state-owned carmakers like FSO in Warsaw. But the South Koreans are unabashed. The first kit assembly of Daewoo Nexia/Cielo cars began in Lublin, Poland, and Craiova, Romania, last month.

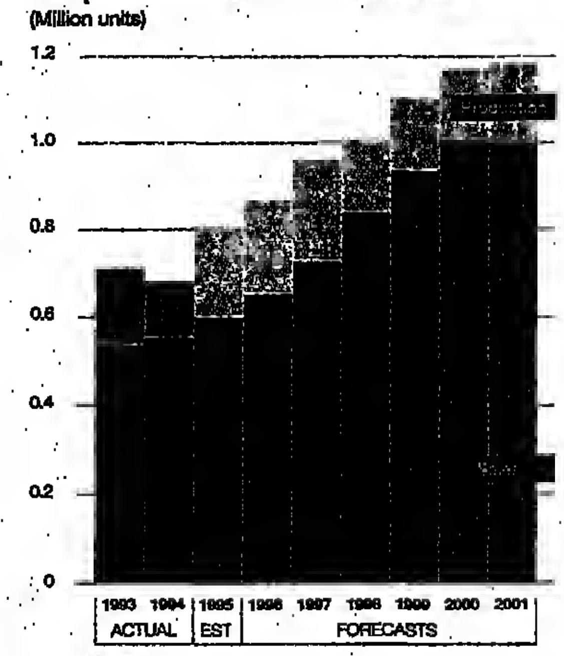
The question now is whether the trickle will turn into a flood and whether Daewoo can find customers for all the production. "We are sceptical about the total number of vehicles that can be sold into these markets," says Mr Bell of Delphi Automotive.

"Some could be exported to western Europe, but growth is limited there. There is not a particular market for cheap cars in western Europe – otherwise they would sell more Ladas. But this is still a very interesting opportunity in central Europe. There is genuine growth, and whether it is 500,000 more or 1m more, it is still attractive."

Central European motor industry

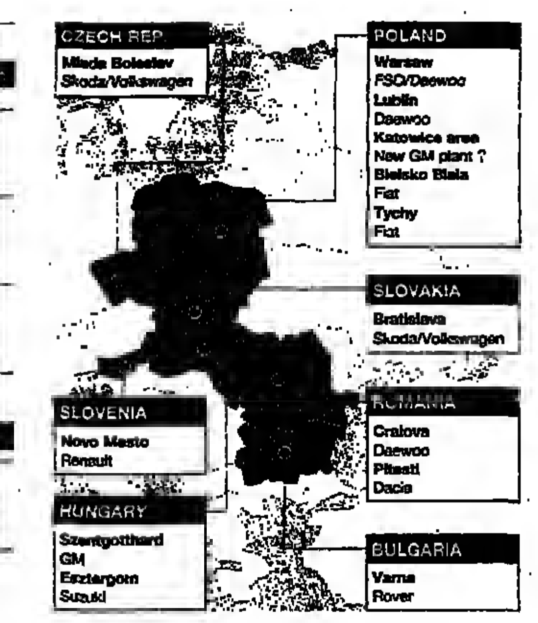
Car production and new car sales

(Million units)



Source: DRI Europe

Car production plants

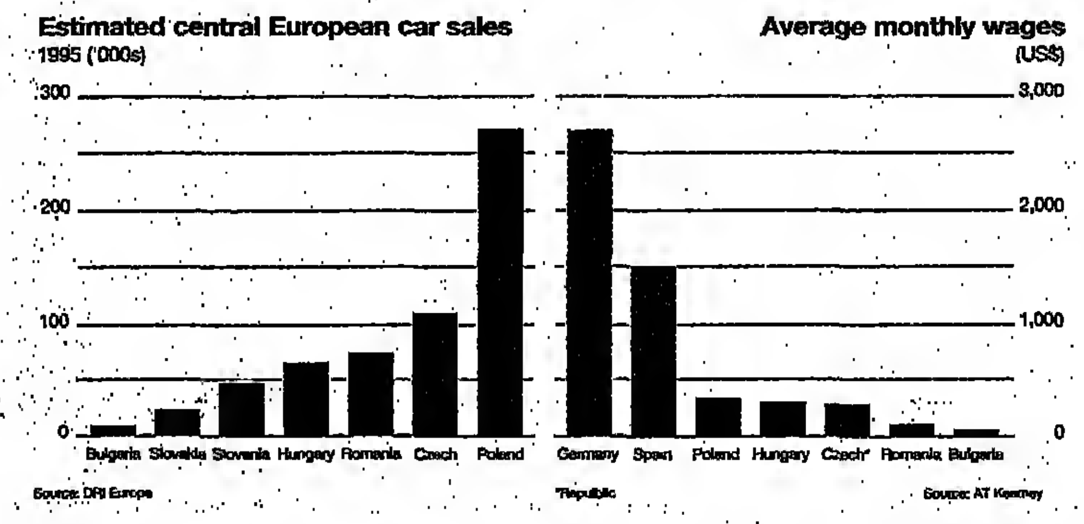


Estimated central European car sales

1995 ('000s)

Average monthly wages

(US$)



Source: DRI Europe

*Republic

Source: AT Kearney

· O B S E R V E R ·

Monkey business

■ Brazil's environmental agency Ibama may be toothless when it comes to saving the Amazon, and ineffectual at conserving the Atlantic forest. But it sure is ace at dealing with African chimpanzees.

Ibama wants to stop Pepsi and Brazilian drinks company Antarctica using chimpanzees in their TV advertisements. Showing the creatures knocking back cold drinks is supposed to devalue nature. Companies should seek permission to use animals in their advertisements, Ibama plans to tell the courts.

So far, few Brazilians seem to support Ibama's campaign. Most people think Ibama would be better off tackling more or less any of the real environmental nasties threatening Brazil. The chimpanzee isn't even indigenous to South America.

Whatever happens though, the hullabaloo is a disaster for Antarctica, since the trainer of the chimp in its ad has let on that the liquid driving the monkey wild on screen was never the company's own, just plain old coconut juice.

Heady cocktail

■ Société Générale, the private sector bank, and the French post office aren't mixing. No, it's not because the latter has been delaying too many of the former's cheques in the mail. It's more serious than that. SocGen is accusing the post office of being the "Canada Dry" of banking. Eh?

This harks back to an old advertising campaign that went on about a *boisson* of Canada Dry looking, smelling and tasting like alcohol, but not in fact being booze.

The post office, which is increasingly encroaching on bank territory with its financial products and services, approves of the tag. "Like the drink, we don't have to come with any health warning either. We're much safer than the banks," purrs an executive.

Timor test

■ It is hard to see how Europe's leaders can avoid raising the question of human rights at this week's EU-Asia summit in Bangkok. Hence, it is a mite insensitive of Kia Motors of South Korea, and an Indonesian company, to choose this week to launch a car christened "Timor."

The choice of name brings to mind unpleasant human rights abuses in the disputed territory of East Timor, invaded by Indonesia in 1975 and annexed a year later. Perhaps the move is the start of a move away from names evoking romance, Moroccan winds or carnivals?

Can we now expect cars produced in Yugoslavia to be called the "Bosnia" or those in South Africa to be named the "Soweto"?

Post haste

■ The St Valentine's Day cards were barely through the letter box before those hyperactive souls at Hallmark were dreaming up yet another card day. Clearly concerned that three whole weeks might elapse between St Patrick's Day and Easter with people unable to send a greeting, the company has developed a range of April Fools' Day cards. The joke has to be on those who buy them.

Papal bull

■ Australia's general election campaign is getting serious. Pope John Paul II has been dragged into the fray by a group of clergy unhappy with the opposition's plans for labour market reforms.

The group was particularly upset about the likely replacement of collective bargaining agreements by individual contracts. "What we are worried about is who picks up the tab when families are brought down on to the breadline," said the Reverend Ivan Ransom, a Presbyterian minister.

Hardly revolutionary stuff. But at an election rally outside Melbourne Town Hall, the clergy group suggested that the Pope was on their side, quoting him as saying that Australia had a long and proud tradition of settling disputes through conciliation and arbitration.

John Howard, leader of the Liberal-National coalition, was not best pleased, but rose to the challenge. "I don't want His Holiness involved in the election campaign," he said. "Not that I'm frightened of the doctrinal consequences of that. I think it was *Centesimus Annus*, one of the papal encyclicals, that spoke of the voluntary nature of one's association in our society". Quite.

Wild about Barry

■ "We're the bright young men who want to go back to 1910, we're Barry's Boys," chanted the folk-singing Chad Mitchell Trio in 1964 as they skewered Barry Goldwater – the Pat Buchanan of the day.

It's not that Goldwater, now aged 87 and endorsing Robert Dole with his quip about being "the new liberals of the Republican party", has shuffled to the left. Rather, his party has galloped far to the right in the three decades since he buried his electoral chances with his views about extremism in the defence of liberty being no vice.

Barry's Boys yearned to go "back to when the poor were poor and rich were rich, and you felt so damn secure just knowing which was which." Like liberals and conservatives in 1996.

The Financial Times

100 years ago

Transvaal and General

Mr Hamilton Smith, the managing director, said at the ordinary general meeting:- If we had taken more risks in the past year than we did take, the profits would have been very much larger. I have no doubt that, instead of paying you a dividend of 10 shillings a share, we might have paid you one of 20 shillings a share if we had taken a little more risk. But we much preferred to make money, hasarding not much, and to do business safely. (Cries of Hear, Hear).

50 years ago

Japanese bonds fall

The strongest possible protests were voiced by Stock Exchange dealers in Foreign Bonds yesterday at the statement of the Chancellor of the Exchequer in the House of Commons that he could not imagine why any Britisher should own Japanese bonds at all. The Chancellor also stated that if there was anything to be screwed out of the Japanese, there was a long list of stronger claimants than pre-war owners of Japanese bonds. Feeling in the market was that if all ex-enemy bonds are to be treated so cavalierly by the Government, confidence in the market for bonds of foreign nations would be destroyed. How were investors to tell which nation might become "ex-enemy" one day?

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320-mile line in Florida will link Disneyworld

Private sector to build US high-speed railway

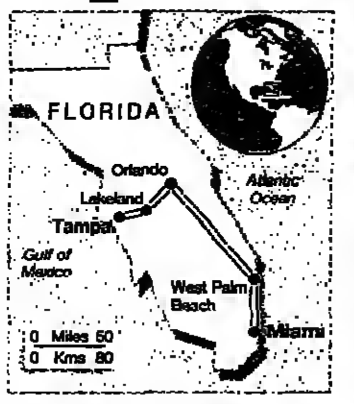
By Richard Tomkins in New York

The state of Florida has chosen a private sector partnership to build and operate the first high-speed railway system in the US at a cost of $4.8bn.

The 320-mile railway, based on France's 300mph *train à grande vitesse*, will link the state's three largest cities and provide a new way of reaching Disneyworld in Orlando and other big tourist attractions.

The first stretch, between Miami and Orlando, is due to open in 2004. Travel time for the 224-mile journey will be 1hr 35mins. The second stretch, 95 miles between Orlando and Tampa, is due to open two years later.

Main partners in the consortium are Fluor Daniel, the biggest US construction company; GEC Alsthom, the Anglo-French developer of the TGV train; Bombardier, North America's biggest supplier of passenger rail cars; and Odebrecht Contractors of Florida, part of Brazil's Odebrecht Group.



The partners have formed a consortium called Florida Overland Express (Fox). It beat four other private sector groups to win a 40-year franchise to build and operate the system, after which it will revert to the state.

The consortium plans to finance the construction with bonds to be repaid by ticket sales. It has also formed an unusual partnership with the public sector under which the state will invest at least $70m a year in the project for 25 years in return for the right to assume ownership on the expiry of the franchise.

The Florida authorities said a one-way Miami-Orlando fare would be $54 economy, or $108 first class, at today's prices.

Although yesterday's announcement appeared to mark a firm go-ahead for the project, it faces several uncertainties. One of the biggest will be a choice of route: the consortium said the railway would use a new, dedicated right-of-way, but only 65 per cent of the new route would follow the path of existing lines.

One problem faced by any rail project in the US is that rail is rarely used for passenger transport. People use the roads for short-to-middle distance journeys, and over longer distances, they fly.

Previously, a private sector consortium planned to build a TGV-style railway in Texas. The consortium had a franchise from the state government and a detailed financing plan, but the project collapsed in 1994 through lack of funds.

Rise in US consumer confidence hits hopes of rates cut

By Michael Prowse in Washington

Better than expected retail sales figures and a strong rebound in consumer confidence yesterday dented hopes in financial markets that the Federal Reserve would cut interest rates in the near future.

Shortly before the close, the Dow Jones Industrial Average was down 37.21 at 5,527.89 following a sharp fall on Monday.

Prices of shorter-dated bonds also retreated, reflecting fading hopes that monetary policy would be eased.

The Commerce Department said retail sales fell 0.3 per cent last month, largely reflecting weakness in car sales.

However, given the harsh winter storms, financial markets had expected a decline of about 0.5 per cent.

Sales data for December were revised substantially to show an increase of 0.6 per cent from November, rather than 0.3 per cent as previously reported.

The figures showed "pessimism on the consumer was overdone at the end of last year," said Mr Jim O'Sullivan, an economist at J.P. Morgan, the New York bank.

He said that, excluding cars, sales in January were running at a 2.8 per cent annualised rate above the average of the fourth quarter.

The Conference Board, a New York business analysis group, said its index of consumer confidence rebounded sharply this month, suggesting economic data last month may have been artificially depressed by severe winter weather and other distortions.

Its confidence index rose to 97 against 88.4 in January, almost regaining the 99.2 level registered in December. Confidence readings close to 100 typically signal solid economic growth.

The drop in confidence in January reflected "one-time circumstances – the blizzard, the government shutdown, the many lay-off announcements – rather than a signal from consumers that severe economic hardship was on the way," the board said.

In a separate report, the Labour Department said that producer prices for finished goods rose 0.3 per cent last month and by 2.3 per cent in the year to January.

The increase followed substantial price gains in November and December. However, as the price gains were concentrated in the energy sector, it was not seen as signalling a rise in underlying inflationary pressures.

Excluding food and energy, "core" producer prices fell 0.1 per cent last month.

Yesterday's figures follow a series of statistics pointing to a sharp deceleration in economic growth. However, some Wall Street economists now expect a modest rebound.

IBM ends PC investment in Russia due to tax changes

By John Thornhill in Moscow

International Business Machines is ending personal computer production in Russia, blaming changes in the country's tax regime for undermining the economic rationale for manufacturing computers there rather than importing them.

Other western computer manufacturers are also complaining that tax breaks granted to Russian trading groups with connections in the Kremlin have undermined the local market's price structure.

The decision is a serious setback to Russia's attempts to attract foreign investment and reflects the unpredictable business conditions that still bedevil many sectors of the economy.

The concessions to Russian trading organisations have enabled some favoured dealers to sell imported computers free of tariffs and taxes, which normally amount to 31.5 per cent of the selling price.

"Some dealers have a way of getting computers into the country with reduced duties which few reputable companies can do. We are constantly up against them," said a sales executive at another western computer company.

Mr Alexei Yeliseyev, IBM project manager, said Russia's parliament had stripped IBM of previous exemptions allowing it to import components and manufacturing equipment free of tax, while Moscow authorities had failed to deliver on promises to buy up to 100,000 IBM computers.

He said appeals to government ministers to help redress the tax imbalances appeared to have been ignored. "My conviction is that Russia will only develop its industry if it creates a system of laws to support foreign investors and opens the door to famous companies like IBM," he said.

IBM started producing personal computers at the Kvant plant in Zelenograd near Moscow in 1993, believing it would give it a significant cost advantage over imported products. The US company invested about $2m in equipment and training to enable one of Russia's leading computer manufacturers to produce IBM-branded computers from imported components.

In total, the plant manufactured 40,000 computers. Mr Yeliseyev said the decision to stop manufacturing IBM computers would result in some job losses among the plant's highly qualified employees.

Copyright

Continued from Page 1

$500m a year. The Japanese authorities had refused to rewrite their copyright rules, claiming the decision to extend copyright protection only as far back as 1971 was approved by the countries concerned.

However, after meeting President Bill Clinton, Mr Ryutaro Hashimoto, the Japanese prime minister, issued a surprise statement saying that Japan would bring its rules into line with western countries.

US West agrees merger

Continued from Page 1

which is currently in negotiations with Mr Rupert Murdoch's News Corporation, which is eager to enter the DBS market in the US.

Mr Lillis said although there was no direct link between yesterday's events and the legal wrangle between US West and Time Warner Entertainment, close personal connections between Continental and the Time Warner would help in the search for a solution.

The conflict is focused on Time Warner's planned takeover of Turner Broadcast System – in which Continental also has a stake – which US West claims contravenes the terms under which it bought its Time Warner holding in 1993.

US West, renowned for its aggressive efforts to rid itself of a reputation as the Baby Bell least likely to prosper in a deregulated communications market, claims Time Warner's restructuring plans would dilute its influence in the cable arm.

THE LEX COLUMN

Wild US West

This month's US telecommunications bill has produced the first in a probable flurry of mega-deals. As telephone companies are allowed into cable television and vice-versa, consolidation of the communications industry is inevitable. That said, US West's $10.8bn acquisition of Continental Cablevision is a massive bet that a particular technology, cable TV, will be the winner in the coming competition. The aggressive Baby Bell has seemingly given little thought to alternative technologies such as digital satellite and "wireless cable". Though they may not enjoy the full interactive capabilities of fixed cable TV, they are certainly vastly cheaper to deploy.

The $10.8bn price works out at $2,570 per home – nearly a third more than the equivalent value for Tele-Communications Inc (TCI), the largest US cable group. True, Continental Cablevision owns assets other than its US cable properties. But so does TCI. Moreover, US West is paying a pricey 11 times predicted 1996 operating cash flow.

Nor will this be the end of US West's investment splurge. Further billions will be needed to upgrade Continental's networks to carry telephone traffic. US West could also end up increasing its stake in Time Warner's cable properties, which are nearly three times the size of Continental's. If Time Warner can squeeze the same valuation multiple that Continental has secured, it will be mad not to sell.

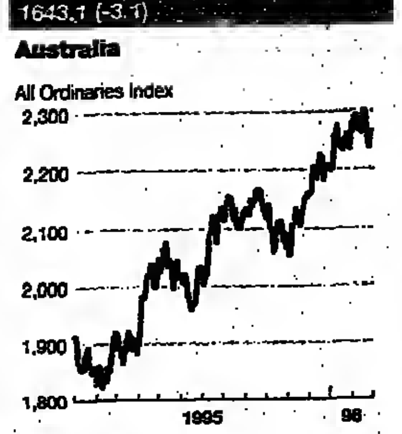
Chargeurs

Shareholder value is catching on in some unexpected places – even France. And if Chargeurs' proposed demerger starts a trend, patient shareholders in France's sprawling holding companies will have plenty to be grateful for.

This demerger looks a classic of its kind. There never was any industrial logic in putting together wool processing with satellite television, and separating the two should have powerful financial logic as well. Chargeurs' FFr9bn market capitalisation is accounted for by its 17 per cent stake in BSkyB alone; even after subtracting Chargeurs' debts, the value of the demerged businesses should be comfortably above that. There is much which is lousy, but there are some minor jewels as well. Chargeurs' 20 per cent stake in CanalSatellite is one. Its 50 per cent stake in Renn Productions, which makes some of France's few popular films, is another.

FT-SE Eurotrack 200: 1643.1 (-3.1)

Australia



Source: FT Extel

But breaking Chargeurs into two bits needs to be the beginning, not the end, of the refocusing process. Even after the demerger, the non-media side of the business – which processes wool, transports cars and makes protective film – will still be a rag-bag. Nor is there much logic behind the make-up of the media business – there is little synergy between Libération, the Pathé cinema chain, and minority stakes in BSkyB and CanalSatellite. Mr Jérôme Seydoux, who is to run the new company, needs to show that he has future plans which stack up. Otherwise, his new baby will look suspiciously like a personal plaything.

Trafalgar House

Kvaerner has become the patron saint of distressed British construction and engineering companies. Fresh from its feat of re-rating shares in Amec, where its bid was considered too mean, the Norwegian group has now gone for the even greater challenge of Trafalgar House.

At first sight, it is hard to see why it should be interested. Not only has Trafalgar become a substantial loss-maker with distant recovery prospects; it also owns a bundle of non-core businesses from property to a troubled cruise line. But Trafalgar has some appeal. Its mountain of losses mean Kvaerner could build up a substantial UK business without paying tax. The Norwegian company's shipbuilding business gives it some expertise in the luxury shipping market, and it certainly knows all the potential buyers. Meanwhile, Trafalgar's engineering problems have centred on three issues – the Emerald Producer oil platform, its French Sofresid subsidiary and a disastrous power plant contract – that are now either cleared out or cured.

That said, Kvaerner is unlikely to offer much more than the current share price. It will also have to persuade Hongkong Land to part with its 26 per cent stake. Even after yesterday's rise, HKL would be taking a £100m loss on its disastrous three-year investment. Nonetheless, with its growing interest in Hong Kong property, HKL is more likely to want to wash its hands of this UK irritant. Besides, the £100m hit is little more than its attributable share of last year's Trafalgar losses.

Australia

The jitteriness in Australia's financial markets ahead of Saturday's federal election is understandable enough. Opinion polls may have invariably given the conservative Liberal-National coalition a lead. But, with a significant number of voters yet to make their final decisions and the Labor party only two percentage points behind in some polls, the race is still open.

Nevertheless, those who hope a coalition victory will work wonders for the stock market are probably getting over-excited. An immediate rally may occur, given the coalition parties' traditional pro-business stance. But that could quickly be reversed by concerns that wages will rise unless the coalition and the powerful union movement can reach a *modus vivendi*. Similarly, the coalition's generous public spending promises – over A$6bn (US$4.5bn) during the three-year parliamentary term – could come back to haunt the market since they are based on old budgetary forecasts that now look over-optimistic.

Investors betting on a coalition win would do better to concentrate on sectors where the specific policy changes are in view. Media stocks are a good example, given that the coalition has pledged to review rules that restrict foreign ownership and prevent cross-ownership of metropolitan newspapers and television stations in the same market. It can surely be no coincidence that Mr Conrad Black, the Canadian media magnate currently unable to increase his 25 per cent stake in the John Fairfax newspaper group, will be in town for election night.

Additional Lex comment on UK gaming and Barclays, Page 20

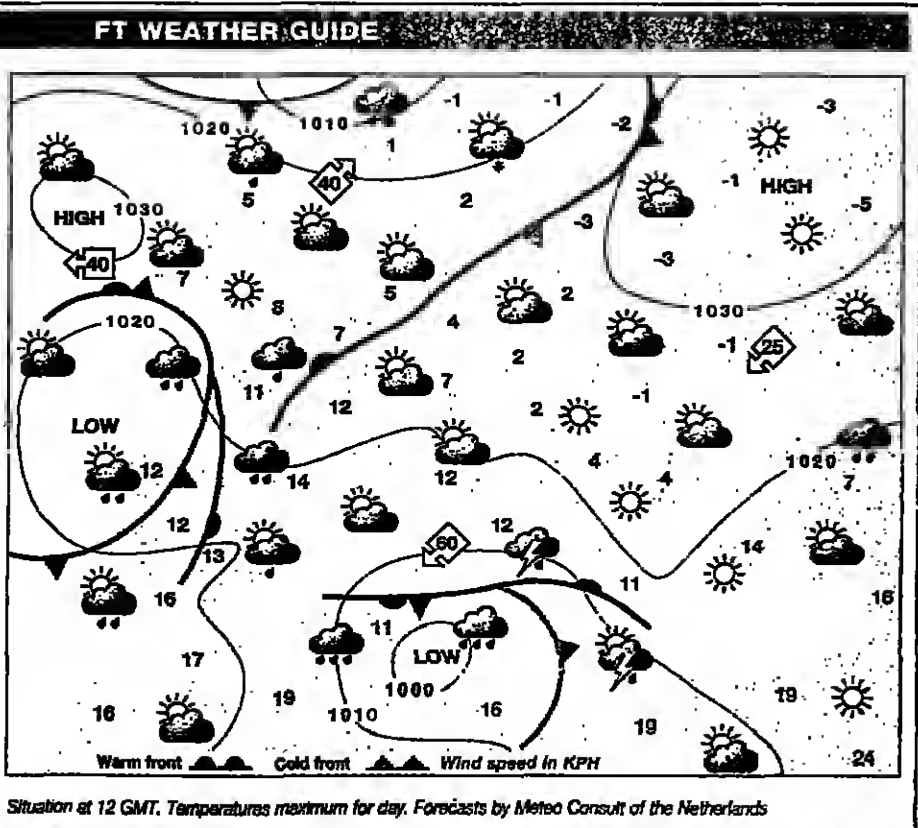
FT WEATHER GUIDE

Europe today

High pressure just west of Ireland will bring dry conditions with sunny spells to the British Isles. An old front will stall over central France, the Benelux and northern Germany, giving cloud with occasional light rain or drizzle. The Alps and eastern Europe will be dry and generally sunny. An active disturbance over northern Spain will cause cloud and rainy spells from Portugal to central Spain. Northern Africa and southern Italy will have showers, some with thunder, and there will be strong gusty winds on Sardinia. Northern Italy will remain dry and sunny. A mixture of sun and cloud is expected in Greece and Turkey, but rain will spread across western Greece this evening.

Five-day forecast

The British Isles will remain dry and sunny. Southern Scandinavia will have snow tomorrow. More rain is expected in Portugal and western Spain. Heavy rain will accompany a low pressure system as it sweeps across southern Italy tomorrow and into Greeca on Friday. Central and eastern Europe will be generally dry. The Alps, the Czech Republic and Poland will have light snow on Friday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	cloudy	28
Accra	fair	31
Algiers	shower	12
Amsterdam	cloudy	6
Athens	cloudy	10
Atlanta	cloudy	19
B. Aires	fair	30
B.ham	sun	6
Bangkok	sun	35
Barcelona	shower	14
Beijing	sun	10
Belfast	sun	6
Belgrade	sun	4
Berlin	fair	8
Bermuda	fair	21
Bogota	shower	20
Bombay	sun	30
Brussels	drzzl	7
Budapest	sun	2
C.hagen	cloudy	2
Cairo	fair	21
Cape Town	sun	31
Caracas	cloudy	30
Cardiff	sun	8
Casablanca	shower	16
Chicago	windy	-1
Cologne	cloudy	8
Dakar	sun	23
Dallas	windy	15
Delhi	sun	26
Dubai	cloudy	26
Dublin	fair	7
Dubrovnik	fair	13
Edinburgh	fair	8
Faro	shower	16
Frankfurt	sun	6
Geneva	fair	10
Gibraltar	shower	18
Glasgow	fair	5
Hamburg	cloudy	8
Helsinki	snow	-1
Hong Kong	cloudy	18
Honolulu	fair	29
Istanbul	shower	5
Jakarta	cloudy	29
Jersey	fair	8
Karachi	sun	28
Kuwait	cloudy	24
L. Angeles	fair	18
Las Palmas	fair	21
Lima	cloudy	27
Lisbon	shower	15
London	sun	8
Lux.bourg	cloudy	8
Lyon	cloudy	10
Madeira	fair	18
Madrid	cloudy	11
Majorca	cloudy	15
Malta	fair	15
Manchester	sun	6
Manila	cloudy	32
Melbourne	rain	19
Mexico City	sun	24
Miami	fair	26
Milan	sun	11
Montreal	snow	-3
Moscow	sun	-2
Munich	sun	8
Nairobi	fair	29
Naples	rain	13
Nassau	fair	28
New York	rain	15
Nice	fair	14
Nicosia	sun	18
Oslo	fair	3
Paris	cloudy	9
Perth	sun	35
Prague	sun	3
Rangoon	sun	33
Reykjavik	snow	2
Rio	rain	29
Rome	shower	13
S. Frsco	shower	13
Seoul	sun	9
Singapore	cloudy	31
Stockholm	fair	1
Strasbourg	sun	9
Sydney	shower	26
Tangier	shower	15
Tel Aviv	sun	18
Tokyo	fair	10
Toronto	snow	-1
Vancouver	fair	4
Venice	sun	10
Vienna	sun	0
Warsaw	fair	-3
Washington	shower	18
Wellington	fair	20
Winnipeg	sun	-14
Zurich	sun	8

FINANCIAL TIMES
COMPANIES & MARKETS

Wednesday February 28 1996

IN BRIEF

Bremer Vulkan cash 'all gone'

Mr Hero Brahms, head of the supervisory board of Bremer Vulkan, the troubled German shipbuilder, confirmed that a DM854m ($581m) investment package originally earmarked for Bremer Vulkan's two east German shipyards had "all gone". The group, Germany's largest shipbuilder, last week applied for protection from its creditors. Page 14

Océ-van der Grinten expects strong year
Océ-van der Grinten, the Dutch photocopier and office products group, said strong demand for its new products in 1995 created an excellent starting position for the company to post a further improvement in results in 1996. It reported a 20 per cent rise in 1995 net profit to Fl 108.3m ($65m), on sales up 6 per cent at Fl 2.93bn. Page 14

Skoda Pizen to take stake in Tatra
Skoda Plzen, the Czech engineering group, said it had agreed to take a 43.5 per cent stake in the ailing truckmaker Tatra, signalling another big step in the rationalisation of the country's troubled truck sector. Page 14

Nordic steel groups rise sharply
SSAB of Sweden and Finland's Rautaruukki, the Nordic region's two leading steel groups, showed big profit increases in 1995, but warned of tougher market conditions this year. Page 14

AT&T to introduce Internet access service
AT&T is aiming to persuade many of its 80m US long-distance telephone customers to sign up for a new Internet access service by offering it free for the first 12 months. Its move poses a big threat to existing service providers, according to analysts. Page 16

Slow markets pull Matsushita down 23%
Matsushita Electric Industrial, the world's largest consumer electronics company, said the weak Japanese market and a slowdown in the US and Europe, plus the sale of its US movie business, contributed to a 23 per cent decline in third-quarter profits to Y70.1bn ($672m) compared with the same period last year. Sales slipped back 2 per cent to Y1,629.7bn. Page 18

UK insurer turns back on price cutting
General Accident became the first large insurer to attempt to reverse fierce price cutting in UK private motor insurance. It announced rises averaging 4 per cent from April. Page 19

Barclays rises and buys back 40m shares
Barclays Bank spent £306m ($471m) to buy back 40m of its shares on the strength of a 12 per cent rise in pre-tax profits to £2.06bn. The UK clearing bank paid 765p a share, reducing its capital by about 2.5 per cent. Page 20

Analysts see fresh assault on silver price
Syndicates which tried unsuccessfully to manipulete the price of silver above $6 a troy ounce last year were biding their time for another push upwards, analysts suggest. However, CPM, the New York-based consultancy organisation, predicted silver would average $5.86 an ounce in 1996, up from $5.20 last year. Page 21

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Aachen Mch Rg	988	+	8	Damart	3895	+	78
Asko	758	+	9	Gal Lafayette	1484	+	100
Bilf & Berg	585	+	24	Geophysique	279	+	27.9
Falls				Valeo	279	+	13.5
Berliner Kraft	402	–	10	**Falls**			
MAN	413.3	–	7.2	Bouygues	516	–	15
Porsche	855	–	15	Seb SA	700	–	20
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Falls**			
Chiquita	15	+	1½	Fuji Bank	2110	–	100
Florida E Cst	83¾	+	8¾	Hino Motors	864	–	52
St Joe Paper	59¾	+	3⅞	Kikkoman	755	–	36
Falls				Mercian Corp	748	–	40
Ameritech	56⅞	–	1¼	Mitsui Soko	836	–	42
Computer Assoc	69¾	–	2⅛	Noritake	887	–	37
Gen Elec	76⅛	–	2⅛	**HONG KONG (HK$)**			
LONDON (Pence)				**Rises**			
Rises				Gilbert Hldgs	1.4	+	0.15
London Clubs	490	+	16	HK Daily News	2.1	+	0.45
Persimmon	187	+	7	Oriental Press	3.65	+	0.2
Scotia	579	+	21	**Falls**			
Falls				Dah Hwa Intl	7.4	–	0.25
Acorn Computer	224	–	17	Goldlion Hld	6.6	–	0.2
Capita	315	–	16	HK Bld & Loan	16.8	–	0.8
Telegraph	483	–	16	**BANGKOK (Baht)**			
TORONTO (C$)				**Rises**			
Rises				Hua Thai Man	79.0	+	7.0
CCL Inds A	12	+	¾	LPN Dvlpmnt	63.0	+	5.5
Extendicare	38	+	1	Poonpipat Fin	74.0	+	4.0
Kerr Addison	28	+	2¼	**Falls**			
Falls				Nawarat Patana	100.0	–	6.0
Abitibi Price	19⅞	–	1½	New City	47.0	–	3.0
Arbor Mem A	20⅛	–	2	Thai Toray Tex	75.5	–	5.5
Tee Comm Elec	15	–	1½				

New York and Toronto prices at 12.30pm.

Chargeurs to split into two quoted units

French media and textile group plans demerger to concentrate better on its diverse businesses

By Andrew Jack in Paris

Chargeurs, the French media and textiles group, yesterday announced its intention to split into two separate quoted companies, in what is believed to be the first example in France of a large demerger.

Pathé, beaded by Mr Jérôme Seydoux, the existing chairman and largest shareholder, will take control of the group's television, cinema and press interests, and Chargeurs International, led by Mr Eduoardo Malone, the current deputy chairman, will run its textile and distribution businesses.

Chargeurs said the move would allow the two companies to concentrate better on the challenges in their market sectors, to use existing staff more effectively and to allow investors a direct stake in clearly defined sectors. It added that it would open the possibility of new partnerships.

Mr Jean-Pierre Valais, head of communication, said: "People had difficulty in understanding Chargeurs. This is a response to two very different sectors in which we work."

Before the suspension of the group's shares in Paris yesterday morning ahead of the announcement, Chargeurs was trading at a discount of ebout 40 per cent to the value of its assets, giving it a market capitalisation of just over FFr9bn ($1.8bn). Analysts said yesterday the demerger could lead to a large reduction in the discount, and suggested a valuation of up to FFr10bn for the media arm and FFr4bn-FFr5bn for the textiles unit.

Chargeurs gave no indication of how its debt – FFr4bn in 1994 – as well as its headquarters and liquid investments would be split between the companies. It said the deal had been epproved by the French tax authorities and should be fiscally neutral.

The group also posted preliminary losses of FFr575m for 1995, compared with profits of FFr334m in 1994, on a turnover of FFr11.7bn. The loss included write-offs of FFr140m on its stake in Libération, the daily newspaper, FFr188m on cinema production and FFr334m related to its Pathé acquisitions.

It said it was preparing three-year pro-forma historical accounts for the two companies in accordance with stock market regulations, which sbould be released in April ahead of a vote on the demerger by shareholders at the annual meeting in June.

Shareholders will be given one share in each company for each of their current shares.

Chargeurs International will include the group's wool trading and processing businesses, fabrics and linings operations, Walon distribution company and Novacel adhesive film maker.

Pathé will include the gronp's 17 per cent stake in BSkyB, the UK satellite TV group; 20 per cent of CanalSatellite, which is controlled by Canal Plus, the French pay television company; and its control of the Pathé television and film prodnction and distribution group; as well as Libération. It denied rumours circulating yesterday that it was planning to sell its BSkyB stake.

Lex, Page 12

Potential Fokker saviour pulls out

By Ronald van de Krol in The Hague and Robert Gibbens in Montreal

Bombardier, the Canadian aerospace company, yesterday withdrew as a candidate for rescuing Fokker, the near-bankrupt Dutch airplane maker.

Fokker's future now lies either in the hands of a second potential bidder, Samsung of South Korea, or in its taking a "stand-alone" role in slimmed-down form, with financial support from Dutch banks and Dutch companies. Mr Hans Wijers, the Dutch economic affairs minister, said Samsung might be interested in Fokker under certain conditions. He said he expected the South Korean company's position to become clearer in the next few days.

Mr Michel Lord, vice-president of communications at Bombardier, said its talks had not reached the stage of discussing financial support for a Fokker rescue with the Dutch government. "We evaluated the [Fokker] 50, 70 and 100 programmes very carefully and decided not to make an offer. There was no Bombardier offer on the table."

He added: "We would hope to co-operate fully with any successor company and continue as a supplier on satisfactory terms through Shorts." Bombardier's Shorts Brothers subsidiary in Northern Ireland makes wings for the Fokker 70 and 100 aircraft.

Fokker's administrators, appointed after the company sought protection from creditors in January, have asked the economics ministry for additional bridging credit to keep the company afloat while it sorts out its future.

Mr Wijers said the government might be prepared to put up a further Fl 25m-Fl 30m ($15m-$18m) to tide the company over for a week or two. In January, the government provided more than Fl 250m to allow Fokker to continue operations for five more weeks.

Mr Wijers also confirmed that Mr Harry Langman, a former minister of economic affairs and former head of ABN Bank, was canvassing opinion among financiers and industrialists in the Netherlands regarding the possibility of an all-Dutch rescue for Fokker.

Mr Wijers made clear that the state could not be expected to take the financial lead in such a rescue. "Stand-alone must not mean state-alone," he said.

Sabena appoints Swissair director as chief executive

Emma Tucker in Brussels

Sabena, the Belgian airline that is 49.5 per cent owned by Swissair, yesterday appointed a Swiss chief executive, after months of clashes between management and the unions forced the resignation of Mr Pierre Godfroid.

Mr Paul Reutlinger, an executive vice-president of Swissair, hopes to draw a line under the industrial strife that has crippled the airline since November by establishing e new management and negotiating structure.

The appointment of a Swiss to head the troubled company, still majority owned by the Belgian government, indicates Swissair's determination to strengthen its grip on the airline.

Strike action and the inability of the government to step in and resolve the disputes had led to increasing agitation inside Swissair.

The extent of Sabena's difficulties was underlined by the announcement yesterday of full-year results. The gronp posted a BFr530m (£17.3m) consolidated loss for last year, compared with losses of BFr1.2bn in 1994. Sabena said its non-consolidated loss for last year was BFr895m compared with a 1994 loss of BFr1,4bn.

Last year's result included an operating profit of BFr3m, generated despite almost 30 days of industrial disruption at Brussels' Zaventem airport, the result of strikes by air traffic controllers, firemen and Sabena's own staff.

Swissair's shares closed down SFr7 at SFr1,083.

The Swiss group paid BFr6.5bn for its 49.5 per cent stake in Sabena last summer, with an option to increase this to 62.25 per cent after 2000.

Sabena also announced the interim appointment of two Belgians as chairman and vice-chairman of the board. Mr Jan Huyghebeert, a board member of Sabena and chairman of Almanij, the holding company which owns Kredietbank, takes over as chairman. He will be joined by Mr Philippe Suinen – currently the *chef de cabinet* for Mr Elio di Rupo, the Belgian deputy prime minister – as vice-chairman.

"I hope now that the parties return rapidly to the table to finalise the social agreement which Sabena so badly needs if it is to reestablish economic equilibrium," said Mr Michel Daerden, the Belgian transport minister.

Mr Godfroid confirmed his resignation after it became clear that an impasse had been reached between management and unions over cost-cutting plans aimed at returning the airline to profitability.

He was a harsh critic of Belgium'e costly social security structure and at one time threatened to relocate Sabena's pilots to Luxembourg in order to avoid high employee contributions and expensive staff agreements.

The strategic involvement of Swissair was seen by the Belgian government as crucial in rescuing the airline from bankruptcy. It had already benefited from state aid and further government assistance was more or less out of the question.

Philip Condit, above, takes over as chief executive of Boeing in April. He succeeds Mr Frank Shrontz, who will remain chairman of the board. Mr Condit has not worked for another company. Background, Page 16

Orange to aim for market capitalisation of up to £2.4bn

By Hugo Dixon

Orange, the UK mobile phone group, will today announce that it is aiming for a market capitalisation of about £2.2bn-£2.4bn ($3.4bn-$3.7bn) in its forthcoming flotation. That is about 20 per cent less than the £2.8bn-£3bn that stockbrokers involved in the share sale have been valuing the company at in recent research notes.

The lower figure may be somewhat disappointing for shareholders in Hong Kong's Hutchison Whampoa and British Aerospace, which own Orange.

Both groups' share prices have risen sharply in the pest few months in the expectation that the flotation would deliver big profits on their initial investment in Orange.

Bankers involved in the share sale deny that the reduced valuation range is related to recent decisions by rival UK mobile telephone companies Vodafone and Cellnet to cut tariffs in order to compete more vigorously with Orange.

They say the lower figure is designed to ensure that the flotation is a success, with new investors enjoying the prospect that the sbares will rise after the issue.

Another reason is that some of the worldwide entbusiasm for technology stocks bas evaporated since Orange's share sale was agreed at the end of last year.

Bankers also point out that Hutchison and BAe will still own about 75 per cent of Orange's equity following the float.

That will allow them to participate in any subsequent rise in the share price. Meanwhile, the £600m or so proceeds from the share sale will be used to repay shareholder loans to Hutchison and BAe – giving an immediate lift to their cash flow.

The precise price of Orange's new shares will be determined following a "bookbuilding" process, which starts today with the publication of its prospectus.

Barry Riley

Why bonds reign supreme for German investors

German government bonds have been heavily involved in the latest global bond market correction, with the yield on 10-year bunds jumping more than 50 basis points in the past month. Bnt in the long run, bunds have been reliable investments – and much better for e "buy and hold" strategy than German equities, as Barclays de Zoete Wedd's newly-published *German Equity-Bond Study 1996* points out.

Apart from the 1950s, when German equities performed strongly during the *Wirtschaftswunder* period of 8 per cent annual economic growth, bonds have outperformed. That was re-emphasised in 1995, when the total return on bunds beat that on equities by 11.4 per cent.

Since 1960, more or less coinciding with the reign of the Bundesbank, government bonds have returned 3.7 per cent a year in real terms, but equities only 2.3 per cent (although equities have done better since 1980).

During the eame period, the UK picture has been different. The real return on equities has been 8.7 per cent, vastly greater than that on German equities and much higher than the modest real return of 2.5 per cent on UK government bonds.

The German stock market does, of course, have a reputation as a place largely shunned by domestic investors, except banks and corporates with interlocking stakes, and as something of e graveyard for the recurrent hopes of foreigners. In the past 10 years, the average annual return (nominal, in dollars) on German equities has been 10.5 per cent against 14.9 per cent in the US, 15.9 per cent in the UK and as much as 18.6 per cent in the Netherlands.

The Dutch comparison is especially interesting here because it showe that the German stock market's problems have nothing much to do with the hardness of the currency or the toughness of the Bundesbank. The guilder has been glued to the D-mark over the past decade so the under-performance of German equities must be otherwise explained: for example, by the drawbacks for shareholders of the German approach to corporste governance and, perhaps, by the high weighting of old-fashioned and vulnerable manufacturing industry in the German stock market.

Since 1960, the picture in the UK has been different

Helpfully, BZW has also produced a parallel equity-bond study for the Dutch securities markets. It shows thet over the post-war period the real returns on bonds and equities have been very similar to those in the UK. Since 1960, Dutch government bonds have returned 3.1 per cent a year in real terms and equities 8.1 per cent.

In 1995, the gap between bond and equity returns in the Netherlands was much less than in Germany – with bonds only about 1 per cent ahead. The industrial spread in the Dutch market was more helpful and there has been a lot of rationalisation, especially in the financial sector.

A fundamental difference in the Netherlands is the presence of substantial pension funds which are ective investors in equities (although not as committed as their UK counterparts).

In Germany, on the other hand, tha absence of big domestic institutional investors in the stock market is a subject for official concern. There is a chicken-and-egg problem bere: unless German institutions see a good return they will not be attracted to German eqnities, but at the same time, German companies will not give sharebolders a better deal until there are powerful domestic voices demanding ection (though US pension funds have been having a degree of influence).

There have been measures by the German government to promote the stock market, notably the passage of the Financial Market Promotion Act. Big companies have begun to adopt international accounting and disclosure standards – with even Deutsche Bank due to adopt international standards next month.

However, the difficulties of core German industrial enterprises ranging from Daimler-Benz and AEG to the latest troubla spot, Bremer Vulkan, emphasise the cultural adjustments that still have to be made.

The stakeholder philosophy has served the German economy as e whole (if not shareholders) well. But maintaining an elaborate balance of multiple vested interests may not be the best way to achieve a radical transition to a post-industrial society.

INTERNATIONAL COMPANIES AND FINANCE

Bremer Vulkan admits investment cash 'all gone'

By Judy Dempsey in Bremen

Mr Hero Brahms, head of the supervisory board of Bremer Vulkan, the troubled German shipyard, yesterday confirmed that a DM854m ($590m) investment package originally earmarked for Bremer Vulkan's two east German shipyards had "all gone". The group, Germany's largest shipbuilder, last week applied for protection from its creditors.

He said the money, backed by state guarantees, had been placed by Bremer Vulkan in a cash management fund with minimal control exercised by the supervisory board or the BvS, the successor to the Treuhand privatisation agency.

The Treuhand, which had sold the east German shipyards to Bremer Vulkan in late 1992, was supposed to have monitored the dispersal of those investments.

"I could not have imagined how so much money could have been spent so quickly," said Mr Brahms, appointed head of Bremer Vulkan's supervisory board last December after Mr Friedrich Hennemann was ousted as chairman.

Most of the DM854m had been spent propping up loss-making divisions and on other projects, according to Mr Udo Wagner, the company'a new chairman. Group losses for last year are expected at DM1bn.

Reuter

Rough seas: Udo Wagner (left) and Jobst Wellensiek answer questions in front of Vulkan's main plant in Bremen yesterday

Bremer Vulkan's most immediate cash-crisis was alleviated when a consortium of banks yesterday agreed to provide DM60m of additional capital. But company officials admitted the support, spread over two months, was "peanuts".

The banks, which are already owed DM1.4bn by Bremer Vulkan, yesterday agreed to the cash injection after holding talks with Mr Jobst Wellensiek and Mr Wolfgang van Betteray, the lawyers overseeing the *Vergleich*, the procedure intended to stave off bankruptcy by redncing and rescheduling a company's dehts. The DM60m will be used to pay suppliers and complete some projects. The employmeot office has allocated a further DM80m to pay wages.

Mr Wellensiek said the next two months would be crucial as Bremer Vulkan's management attempted to draw up a re-structuring plan aimed at saving as many of the 23,000 jobs as possible.

Already, there are signs that the Bremer Vulkan holding company will be broken up, with its shipbuilding division remaining as before.

STN Atlas Elektronik, one of the company's few profitable divisions, has already been hived off. The banks last week granted it a fresh credit line of DM200m.

In contrast, Dörries Scharmann, the machine construction division, could face bankruptcy. Mr Wagner yesterday said its losses for this year would be "very high". Its losses for 1995 exceed DM220m.

The future of Bremer Vulkan's two east German shipyards is still unclear. Yesterday, the government of Mecklenburg-Vorpommern, where the yards are located, suggested they could be privatised again, even though the Treuhand had already invested more than DM1.2bn of taxpayers' money into these shipyards.

"The east German yards need western know-how if they are to become productive and competitive," said Mr Brahms. "It would be hard to see them standing independently."

Océ upbeat after 20% earnings rise

By Ronald van de Krol in Amsterdam

Océ-van der Grinten, the Dutch photocopier and office products group, said strong demand for its new products in 1995 created an "excellent" atarting positioo fur the company to post a further improvement in results in 1996.

As expected, the company yesterday unveiled a 20 per cent rise in 1995 net profit to Fl 108.3m ($66.8m), on sales up 6 per cent at Fl 2.93bn. The results, which cover the financial year ended 30 November, were in line with provisional figures released in January.

Océ said tts annual dividend would be raised from Fl 2.25 to Fl 2.50.

Mr Harry Pennings, executive-board chairman, said the main factor behind the rise was the successful launch of five machines, the largest number of new products introdnced in any year in the company's history.

Yesterday Océ also presented its Eurocolour copier/printer, developed at a cost of Fl 240m over 10 years. Mr Pennings said the copier was capable of making 25 colour copies a minute, compared with the seven to etght copies achieved hy existing colour copiers made by other manufacturers.

Buoyant demand in 1995 for the other oew machines enabled Océ to counteract the oegative effects of the strong guilder. Mr Pennings said 1995 turnover would have risen 12 per cent, rather than 6 per cent, if exchange rates had been unchanged. About 50 per cent of sales were in countries whose currencies declined by 10 per cent against the guilder – the US, the UK, Italy, Spain and Australia.

Referring to the company's 1996 profit forecast, Mr Pennings said: "We make a reservation in particular for the consequences of any further negative foreign exchange rate effects."

Another reason for the company's confidence about 1996 was the agreement in principle, reached oo Monday, to acquire Siemens Nixdorf's printing systems business for Fl 900m. It expected earnings per share to rise 10 per cent as a result of the purchase.

A share issue representing 20 per cent of the company's existing ordinary share capital would raise about Fl 400m. A separate issue of a new class of shares – cumulative preference shares aimed at institutional investors – would generate a further Fl 100m to Fl 150m. The rest of the purchase price will be financed by bank loans or a bond issue.

Fourth quarter sales rose 14 per ceot year-on-year and would have been up 19 per cent without exchange rate changes. Engineering systems sales expanded 21 per cent – up 27 per cent excluding exchange rates – and office systems sales were up 9 per cent or 13 per cent.

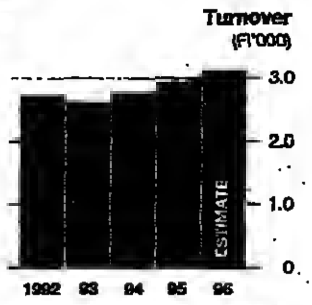
Fourth quarter operating profit rose to Fl 69.6m from Fl 53m a year earlier. Net profit was up 28 per cent and amounted to 4.4 per cent of sales compared with 3.9 per cent a year earlier.

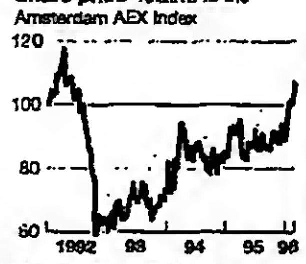
Fourth quarter cssh flow was almost Fl 101m guilders, from almost Fl 91m last time, the company said.

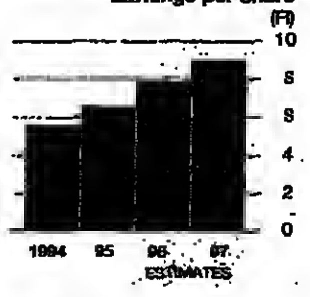
COMPANY PROFILE:

Océ-van der Grinten

Market capitalisation	$1.276bn
Main listing	Amsterdam
Historic P/E	20.7
Gross yield	1.77%
Earnings per share	Fl 6.6
Current share price	Fl 131.5







Source: Datastream; James Capel; FT Extel

Skoda Plzen to take Tatra stake

By Vincent Boland in Prague

Skoda Plzen, the Czech engineering group, said yesterday it had agreed to take a 43.5 per cent stake in the ailing truck maker Tatra, signalling another big step forward in the rationalisation of the country's troubled truck sector.

The proposed acquisition would give Skoda control of the entire heavy truck sector in the Czech Republic, after its purchase last year of Liaz, which makes long distance haulage vehicles.

Tatra specialises in heavy-duty off-road vehicles used in the oil exploration, constructioo and forestry industries. Skoda had made no secret of its desire to acquire Tatra and merge its operations with Liaz, making the engineering group a potentially significant force in the east European truck industry.

Last year the third domestic truck maker, Avia, was acquired by the South Korean group Daewoo in a joint venture with Steyr-Daimler-Puch of Austria. Avia makes light vehicles and vans.

Skoda Plzen is unrelated to Skoda Automobilova, the Czech car subsidiary of Volkswagen of Germany.

Skoda's move is part of a consolidation plan for Tatra which was drawn up with the heavily indebted truck maker'a main bankers. It comes before a meeting of Tatra shareholders tomorrow which was called originally to discuss a survival plan involving a debt-for-equity swap by Komercni Banka, which is owed about Kc3.8bn ($141.3m).

Skoda had been tipped to take operational cootrol of Tatra on behalf of Komercni if the debt-for-equity swap went ahead. Skoda would acquire its stake from Cimex Holding, a private investment company. Terms of the transaction were not disclosed.

The Czech truck industry plunged into losses after the collapse of its main markets in the former Soviet Union. Tatra clawed its way back to profitability last year, earning Kc290m before tax, but production fell to 2,048 trucks compared with 15,000 annually in its heyday. In 1994 a management team led by the US anto industry executive Mr Gerald Greenwald attempted to rescue Tatra's fortunes. It withdrew after a culture clash with Czech managers.

Skoda's move also follows last week'a announcement by Tatra that it had won a $180m contract to supply more than 1,100 military vehicles to the United Arab Emirates. It was the company'a first large order for several years.

The value of the two-year contract is nearly double the group's projected turnover for 1996 of Kc6.2bn. The vehicle to be supplied to the UAE is a specially adapted version of the T815 off-road truck, its main product.

Nordic steel groups ahead sharply

By Christopher Brown-Humes in Stockholm

SSAB of Sweden and Finland's Rautaruukki, the Nordic region's two leading steel groups, showed big profit increases in 1995, bnt they warned of tougher market conditions this year.

Mr Leif Gustafssoo, SSAB chief executive, said that west European steel consumption was expected to fall in 1996, while price pressures, which began in late-1995, had continued.

Rautaruukki echoed the remarks, but said that while steel prices were likely to be "unstable" in the first half, they could recover later in the year after stocks had unwound.

SSAB reported record profits of SKr3.83bn ($569m) for 1995, up 80 per cent from SKr2.14bn a year earlier. Rautaruukki said its profits improved 45 per cent from FM658m to FM954m ($212m), its best result this decade.

Mr Gustafssoo said SSAB's operating businesses had seeo s return oo capital employed of more than 40 per cent in 1995 – "a level we have not seen in the steel industry in living memory". Operating revenues rose from SKr15.7bo to SKr19bn, while operating profits increased from SKr2.09bn to SKr3.48bn.

The improvement was driveo by an 8 per cent rise in western European steel consumptioo last year and a strong rise in prices.

However, while SSAB's aversge prices were 19 per cent higher in 1995, prices fell 5 per cent during the fourth quarter, aggravated by the strengthening of the Swedish krona.

The combination of lower prices and the strong krooa means the group expects lower margins in 1996. It also anticipated that lower activity in the Swedish export-orientated manufacturing industry would hurt its trading and processing volumes.

Rantaruukki's turnover rose 12 per cent to FM9.2bn in 1995 and operating profits expanded from FM1.05bn to FM1.38bn.

The group said its average prices in western Europe were 10 to 15 per ceot higher, although prices for hot and cold rolled steel fell in the final quarter. Steel demand grew strongly in the Nordic region, due to greater capital spending and higher exports. Again, growth tailed off in the fourth quarter as stocks filled up.

Rautaruukki, which recently increased its stake in Fundia, a Swedish long steel producer, from 50 to 100 per cent, forecast 1996 turnover of FM9.5bn. SSAB is lifting its dividend from SKr2.5 to SKr4 a share, while a 70 per cent increase at Rautaruukki will take the payout to FM1.70 per share.

EUROPEAN NEWS DIGEST

Swiss financier to back UBS board

Mr Stephan Schmidheiny, the Swiss financier who has just bought SFr258m ($214.6m) of Union Bank of Switzerland registered shares, will vote the shares in support of the bank's board at the April 16 AGM. The revelation, by Mr Jacques Kaegi, an associate of Mr Schmidheiny, may make it more difficult for the maverick Zurich broker Mr Martin Ebner to muster a majority of votes against the board's proposals.

Meanwhile, Mr Ebner's BK Vision investment fund, which is the largest UBS shareholder, confirmed it would not put up an alternative candidate to Mr Robert Studer as the bank's new chairman.

Mr Kaegi also confirmed Mr Schmidheiny had bought his registered shares from BK Vision. It is not surprising that BK would be willing to sell: it held 4.4m shares at last report, but under UBS statutes is only entitled to vote 1.1m, 5 per cent of those issued. However, observers are surprised that Mr Ebner would sell 923,200 shares to Mr Schmidheiny if he knew the financier would vote the shares in support of the board.

Ian Rodger, Zurich

Production boost lifts Saga

Saga Petroleum, Norway's largest independent oil company, said higher production helped it achieve a 66 per cent increase in 1995 pre-tax profits, from NKr1.21bn to NKr2.01bn ($317.2m). Operating profits rose from NKr1.52bn to NKr1.86bn, and the dividend was lifted to NKr2.50 a share from NKr2.

The company, listed on the New York Stock Exchange last year, said its oil outpnt rose from 108,600 barrels a day in 1994 to 117,500 b/d, while total annual oil sales climbed from 34.4m barrels to 39.2m. Average oil prices eased from NKr110 a barrel to NKr108. The company's reserves at year-end stood at 1.13bn barrels, up 102m barrels over the year. The shares closed unchanged at NKr77. *Christopher Brown-Humes, Stockholm*

Havtor saves Bergesen

Bergesen, Norway's biggest shipping company, nearly doubled pre-tax profits from NKr258m to NKr502m last year, after its NKr4bn purchase of the Havtor gas shipping group helped offset the impact of weak tanker markets. Operating profits jumped from NKr16m to NKr279m – Bergesen acknowledged it would have made a loss without Havtor and without a change in depreciation rules for its liquefied petroleum gas carrier fleet. Havtor has been included in its accounts from January 1995, and pro-forma figures given for 1994.

Bergesen said tankers incurred a NKr224m loss, down from a NKr281m deficit a year earlier. But gas shipping lifted profits from NKr202m to NKr421m, and dry bulk profits moved up from NKr55m to NKr70m. The group forecast similar operating profits this year. It said higher contract rates for its big LPG carriers would be offset hy slightly weaker results for its dry cargo fleet. Tankers, meanwhile, could expect another weak year. *Christopher Brown-Humes*

Cerus report hoists Valeo shares

Shares in Valeo, the leading French car component maker, rose yesterday on reports that Mr Carlo De Benedetti, the Italian industrialist, would sell the 28 per cent stake in the company which he holds through his French group Cerus. Cerus, which has consolidated debts of around FFr2bn ($401.1m), insisted it had not taken a decision about the future of its stake in Valeo. The car parts maker last year made net profits of FFr1.01bn. Valeo shares closed up FFr13.50 at FFr279.

Cerus has already asked its banks to review its operations. Market rumours have been gathering strength in Italy that the De Benedetti family would make a disposal to reduce the L700bn debts of Cir, the main industrial holding company, which cootrols 49 per cent of Cerus. Cir's shares closed L14.4 higher at L864.

Cir postponed a rights issue last year and analysts say cashflow from its subsidiaries is not sufficient to service the debt. Mr Gianluca Codagnone, of Milan securities house Aloisio Foglia Ventura, said Cir "had to make a strategic choice. It clearly lacks the resources to carry out all its activities". *John Simkins, Milan*

New Gemina board named

Shareholders of Gemina, the troubled Italian investment company controlled by Fiat, Mediobanca and corporate allies, have elected a new five-man board. It includes only Mr Manfredo Manfredi from the board which stepped down last week. Mr Giorgio Rossi, a former head of chemicals group Snia Fibre, becomes chairman; Mr Paolo Sabatini, who has held a number of roles within Fiat, will be managing director. Mr Piero Schlesinger, ex-chairman of the Banca Popolare di Milano, becomes secretary to the board. Gemina also appointed Ernst & Young as auditor, replacing Coopers & Lybrand, which was banned last month by Consob, the stock market watchdog, from anditing Gemina. *John Simkins*

Orkla ahead 22% for year

Orkla, the Nordic region's biggest food and drinks producer, reported a 22 per cent increase in 1995 pre-tax profits from NKr1.57bn to NKr1.93bn. The figures include first-time contributions from food businesses acquired from Volvo of Sweden last year, and from Orkla's Pripps-Ringnes beverage joint venture with Volvo. Operating revenues rose 4 per cent to NKr21.5bn, while operating profits climbed from NKr1.54bn to NKr1.74bn.

A NKr219m gain on the sale of the group'a Polish beverages business helped generate total gains from the sale of industrial units of NKr367m. But these were offset by a NKr160m restructuring charge for Abba Seafood, one of Volvo's food businesses, and a NKr80m provision linked to Coca-Cola'a unexpected decision, late last year, to terminate its licencing and production agreement with Pripps-Ringnes in the Swedish market. The move has still to take effect, and the two sides are still discussing alternatives for future co-operation. Procordia Food and Abba Seafood, Volvo's food businesses, were consolidated from October 1, while Pripps-Ringnes, where Orkla has 45 per cent, took effect from January 1 1995.

Christopher Brown-Humes

Banco Ambrosiano raises payout

Banco Ambrosiano Veneto, the Italian bank, raised net profits 22 per cent to L160bn in 1995. It said it would increase dividends on ordinary shares from L150 to L160. Dividends on saving shares will increase from L170 to L180.

John Simkins

حكتامن الأصل

OBITUARY – WOLFGANG SCHIEREN

Quiet architect behind Allianz push in Europe

Wolfgang Schieren, who built Germany's Allianz insurance group into one of the world's most powerful financial institutions, died at the weekend aged 68. A discreet, softly-spoken man with clear strategic views, he exerted a strong influence behind the scenes in German finance and industry and pushed Allianz deep into European markets.

Wolfgang Schieren: half his 40 years at Allianz were as chief

Schieren spent his whole working life with Allianz, which he joined 40 years ago after studying economics and law. He was initially rejected by its Munich headquarters but joined the Cologne office, and became chief executive in 1971 at the age of 44, a position he held for 20 years before retiring five years ago to chair the supervisory board.

During his time at the head of Allianz, Europe's largest insurance concern, its premium income rose from DM3.4bn to DM49bn ($34bn), with the foreign share advancing from 3.2 per cent to 48 per cent of the total. Allianz became the most highly capitalised company on the German stock exchange, bought by many institutional investors as a proxy for the whole market because of its widespread holdings in German banks and industry.

While expanding the group geographically, Schieren also strengthened its marketing structure, stressed computerisation and focused on cost management as well as market leadership. In 1984, Allianz bought RAS, the big Italian insurance company, adding Cornhill of the UK two years later. It failed to acquire Eagle Star of the UK in 1981 after a "dawn raid" on the shares, but netted a DM530m profit when it sold its holding.

After the Eagle Star failure, Schieren initiated a restructuring of Allianz – with a new holding company above the direct insurance activities – to give it more flexibility, especially when making acquisitions.

It pounced again in 1990 to buy Fireman's Fund in the US, a company which has since performed below the industry average but which Allianz says is now progressing well.

It also moved swiftly to build up a dominant position in the then East Germany, acquiring the former state monopoly as currency union between the two Germanys came into effect in mid-1990, before reunification. This deal annoyed Allianz's domestic rivals and has involved a very large investment to modernise the eastern German operation, which finally moved into profit last year.

Wolfgang Schieren will be succeeded as chairman of the supervisory board by Mr Klaus Liesen, head of Ruhrgas, the German energy concern.

OBITUARY – VEHBI KOÇ

Self-made leader of Turkey's industrial first family

Vehbi Koç, who has died at the age of 95, was the last of a rare breed. Until his death, his company, Koç Holding was the only one of the Fortune 500 list of international businesses still owned and led by its eponymous founder.

A balding, slightly built figure, Koç spoke only Turkish, never learnt to drive and advanced no further than eighth grade at school.

From modest roots, he built up Turkey's largest industrial empire. The son of a store keeper, he started out with an investment of about US$8. He leaves behind one of the largest private fortunes and the most advanced industrial conglomerate in the country, with a turnover of US$9.5bn last year.

There is a fair chance that whatever you buy in Turkey today, whether a car, a washing machine, a tin of peeled tomatoes or a bottle of household gas, it will carry one of the Koç company brand names. His success as a businessman is explained by three main factors – a canny choice of partners, skilful use of government incentives and a keen eye for the market.

Growing up in the 1920s in Ankara, the capital city created by Ataturk, Koç was the first Turk to challenge the trading power of Turkey's Christian minorities – particularly the Greeks and Armenians. In the Ottoman times, the bureaucracy or the army were the careers of choice for a Turk. Commerce had always been somewhat despised.

"I noticed the minorities led a better life. Their standard of living was much higher than the Turks', so I decided to go into business," he said.

In those days ethnic Turkish managers were thin on the ground. Koç was quick to make use of the business skills of the local Jewish and Armenian traders.

In an autobiography published in 1977, Koç switches from graphic accounts of the poverty of the early republican days to homespun business aphorisms typical of many self-made men. He recalls the first car he saw. "A Catholic named Arslanguller brought it to Ankara. It was nicknamed 'the infidel's car'." Today the Koç empire dominates the automotive sector, just as it does electronics, household gas and food processing.

After the first world war, he spotted the business vacuum created by the departure of the Christian minorities. He is said to have seized on the shortage of building supplies, taking roofing tiles from the homes of departing Christians to make his first money.

Terry Kirk

Vehbi Koç: his first investment of $8 became turnover of $9.5bn

Whatever the exact starting point, he quickly won a contract to build the roof of Turkey's Grand National Assembly – an undertaking which was to seal his close relationship with the Turkish state for more than five decades.

After the second world war, in which Turkey remained neutral, Koç set up his first joint venture with the General Electric company, making light bulbs.

His next big enterprise – in 1959 – was a link-up with Ford Motor to produce buses and trucks. In 1967, the Koç company produced Turkey's first homemade car – the Anadolu, a Ford Cortina variant.

The Koç empire now accounts for about a fifth of Turkey's gross national product and generates close to 5 per cent of Turkish exports. On the Istanbul stock exchange, Koç companies comprise about 15 per cent of the market capitalisation. The company has about 45 per cent of the car market, is the leading producer of white and brown electronic goods, and the largest competitor in the domestic household gas market.

Certainly no Turkish government, whatever its political complexion, could afford to ignore his counsel. A confidant of presidents and prime ministers, Koç was once likened to Italy's Gianni Agnelli – an industrialist with whom he had close ties.

The Koç company was instrumental in shaping the country's industrial policy in the 1960s and 1970s – with investments in the so-called import substitution sectors. But as one Ankara banker put it: "Mr Vehbi was born a trader and will die a trader."

In many ways the Koçs are the first family of Turkey. They cultivate an image of class, style and elegance. The group headquarters – a 19th-century Ottoman mansion high above the Bosporus – would not look out of place in a magazine on interior design. The building, which originally comprised a harem, a Turkish bath, stables and coachman's quarters, is today a statement of the Koç business style. The interior is adorned with fine carpets and modern paintings, the garden peppered with Greek and Roman "spolia".

Koç himself was a man of frugal tastes. Unlike Rahmi Koç, his son, Vehbi took his holidays in a modest hotel in Erdek, a resort on the Sea of Marmara popular with Ankara civil servants in the 1950s but now somewhat spoilt by development and water pollution.

When the headquarters were renovated, it is said he strongly resisted plans to add a swimming pool and that when one of his grandsons bought a red sports car, he refused to allow it to be kept in the compound.

Even after major brain surgery in 1994 he would still go every day to the company offices at Nakkastepe, and read the board minutes.

In his later years, he directed his energies more and more to charity work. The holding company he leaves behind is still controlled by the family. The succession is a problem his children, Rahmi and three daughters, will have to tackle.

CONTRACTS & TENDERS

PERSONAL

INTERNATIONAL COMPANIES AND FINANCE

AMERICAS NEWS DIGEST

Teledyne to consider improved WHX bid

Teledyne, the US defence and industrial company, said it would consider a sweetened buy-out offer from WHX, the holding company for Wheeling Pittsburgh Steel. The steelmaker increased its bid from $30 to $32 per Teledyne share – $22 of it in cash – on Monday. The total value of the offer has now been lifted from $1.67bn to $1.79bn.

WHX began pursuing Teledyne in late-1994, but Teledyne fought that $22-a-share bid. WHX then launched a proxy battle and won a board seat for its chairman Mr Ronald LaBow, the Wall Street financier. The board put Teledyne up for sale to find other suitors, but took it off the block after receiving no attractive offers. WHX made its $30-a-share bid earlier this month.

The Los Angeles conglomerate's main operating attraction to WHX is its speciality metals business, which supplies the aerospace and similar industries. The speciality metals business contributed about 65 per cent of Teledyne's 1995 operating profit of $131.7m. Some analysts predict WHX would sell off Teledyne's defence electronics business and consumer products division. *AP-DJ, Los Angeles*

Rio Algom ahead 76% for year

Rio Algom, the Canadian mining group, lifted net profit for 1995 to C$132.4m (US$96m), or C$2.55 a share, up 76 per cent from C$75.2m, or C$1.48, a year earlier. Revenues jumped to C$2bn, a rise of 80 per cent. The group benefited from a full year's production from the Cerro Colorado copper mine in Chile; a nine-month contribution from its newly-acquired metals distribution unit, and an after-tax special gain of C$12m on the sale of an Australian unit.

Fourth-quarter net profit was C$34.2m, or 66 cents a share including the special gain, against C$30m, or 59 cents, a year earlier. Together with its share of an Argentine group, Rio plans to become one of the world's leading copper producers, with output of 350m lbs by 1999, in addition to its expanding gold, zinc and uranium activities. *Robert Gibbens, Montreal*

■ Phillips Petroleum, the US energy group, will report a net gain of about $565m in the first quarter due to a favourable ruling in a tax case involving its Kenai, Alaska, liquefied natural gas plant. It said the ruling would boost 1996 net operating earnings by an estimated 20-25 cents a share, due to a lower effective tax rate and lower net interest charges on tax liabilities from previous years. Phillips said it would receive an estimated $375m from the Internal Revenue Service in cash refunds over "the next few years", with the first $200m expected in the next 60 days. *AFX News, Bartlesville, Oklahoma*

■ Amoco Power Resources of the US has bought 40 per cent of Energia del Sur, a company that will build, own and operate an electric power generating facility in Argentina. Energia del Sur will build and operate the Central Termica Patagonia generating plant in Comodoro Rivadavia, about 1,000 miles south of Buenos Aires.

Camuzzi Argentina, a unit of Camuzzi Gazometri of Italy, will own the remaining 60 per cent. Amoco Power is a unit of Chicago-based Amoco Corp. *Reuter, Houston*

Bank of Montreal rises 30% in first term

By Bernard Simon in Toronto

Bank of Montreal opened Canadian banks' first-quarter earnings season with a 30 per cent advance in net income, due mainly to a higher contribution from foreign business.

The bank, Canada's third-biggest, came very close to meeting its target for foreign operations to contribute half of total earnings. US operations, which include wholly-owned Harris Bankcorp of Chicago, made up 36 per cent of first-quarter income.

Net earnings grew to C$296m (US$215m), or C$1.04 a share, in the three months to January 31, from C$228m, or 78 cents, a year earlier. Return on equity rose from 14.6 per cent to 17.7 per cent while return on assets climbed from 0.65 per cent to 0.78 per cent. Assets totalled C$150bn on January 31.

The bank forecasts fiscal 1996 loan losses of C$275m, unchanged from last year. One quarter of this amount, or C$69m, was charged against first-quarter earnings. The 1995 first-quarter charge was C$88m, because loan write-downs were at that time expected to be higher for the year than they turned out to be.

The non-performing loan portfolio shrank to C$540m on January 31, from C$1.17bn a year earlier.

Income from non-Canadian sources rose 59 per cent to C$148m. About C$27m of the rise was due to the sale of non-performing Argentina bonds.

Harris has also performed strongly. Its earnings reached US$42.2m in the final three months of 1995, up from US$38.9m a year earlier.

BMO gained a New York listing in 1994, and earlier this month unveiled a deal to acquire 16 per cent of Mexico's Grupo Financiero Bancomer.

AT&T introduces Internet access service

By Louise Kehoe in San Francisco

AT&T is aiming to persuade many of its 80m US long-distance telephone customers to sign up for a new Internet access service by offering it free for the first 12 months.

The entry of the world's largest telecommunications company into the Internet access market poses a significant threat to existing service providers, analysts said.

Shares in Netcom Online Communications were down $3⅝ at $34 following the AT&T announcement yesterday morning. UUnet dropped $3 to $32⅞ and America Online was down $2⅛ at $51¼. PSInet lost $1⅛ to $11¼.

The launch of AT&T WorldNet, as the service is called, marks the beginning of a new round of competition in the Internet access market, analysts said. Local telephone companies, including Pacific Bell, are planning to offer Internet services and Tele-Communications Inc, the leading cable TV service, plans to launch its Internet service next month.

The AT&T service will provide residential telephone customers with up to five hours of free Internet access a month for the first 12 months. All AT&T telephone customers – both businesses and home users – can gain unlimited Internet access for a flat fee of $19.95 a month. This contrasts with the "per hour" fees charged by most competing services.

"About 37 per cent of US families have home computers, but only about 10 per cent go online or on the Internet," said Mr Tom Evslin, AT&T vice-president for WorldNet.

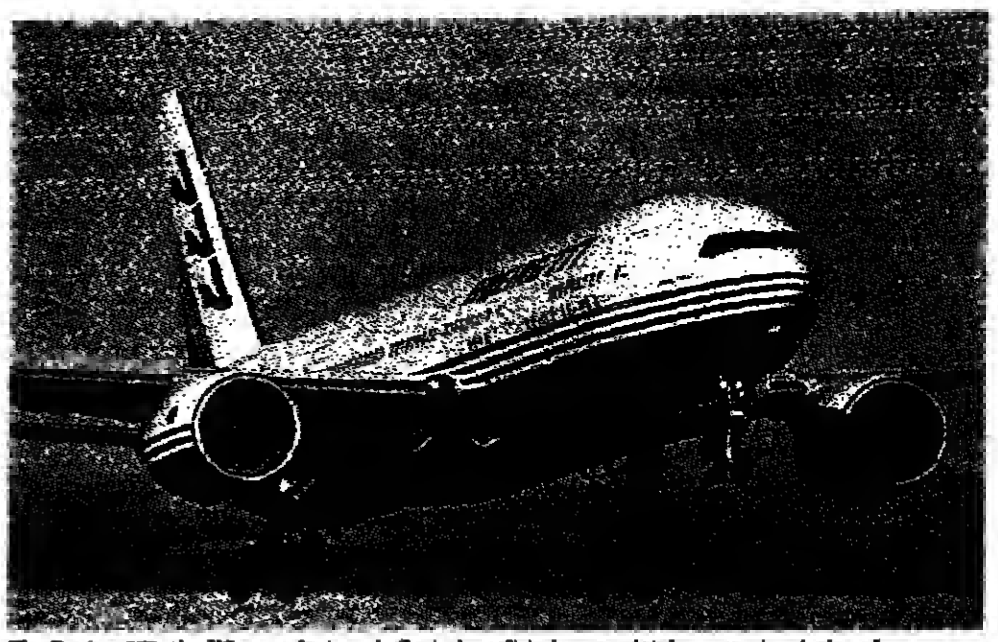
"This is the Internet for everyone, with guided tours, navigation aids, and other ease of use features that will encourage new users to come on line," he said.

AT&T has set up more than 200 Internet access points throughout the US so that about 80 per cent of the population can reach the service via a local telephone call. The WorldNet service will eventually be expanded to provide international access, AT&T executives said.

To encourage electronic shopping on the Internet, AT&T will guarantee purchases made using an AT&T credit card. Cross-marketing of credit cards and telephone services with Internet access is expected to become a significant feature of Internet services in future.

Condit takes the controls at Boeing

By Michael Skapinker, Aerospace Correspondent



The Boeing 777: the US manufacturer's first aircraft to be completely computer designed

Mr Philip Condit is to take over as chief executive of Boeing in April. Mr Condit, who has never worked for any other company, takes over when the US aircraft maker's fortunes appear to be improving after a severe aircraft industry recession, thousands of redundancies and a 10-week strike.

He succeeds Mr Frank Shrontz, who will remain chairman of the board. Mr Condit, 54, who has been president of the group since 1992, was widely seen as Mr Shrontz's heir apparent.

The group won 346 orders last year, compared with only 120 in 1994. This is still far lower, however, than the 683 orders Boeing won in 1989.

The company's workforce fell from 119,000 at the end of 1994 to 105,000 at the end of last year. About a third of the workforce participated in last year's strike over employment conditions and the contracting out of Boeing manufacturing.

Mr Condit said in an interview yesterday, however, that Boeing was in a position to begin hiring again. He said the group would make 215 aircraft in 1996. This compares with 206 aircraft last year, which was lower than the 235 planned, because of the strike. The production rate would increase in 1997 too, Mr Condit said.

But the pressure on aircraft manufacturers to reduce costs would remain. "On the commercial airline side, I think deregulation and liberalisation will continue to spread. That's good for the consumers, but it puts the airlines under pressure and, as a supplier to the industry, that puts us under pressure," he said.

Mr Condit is only the seventh chief executive to head Boeing since it was founded in 1915. Mr Shrontz, who was appointed chief executive in 1986, is a lawyer. Mr Condit is an engineer, who began his career in Boeing in 1965 on the Supersonic Transport programme, which never produced a rival to the Anglo-French Concorde.

Mr Condit brings to the chief executive's job a reputation for being prepared to talk directly to shop floor workers and the credibility of having headed the Boeing 777 programme before he became president.

The Boeing 777 was launched to fill a gap between the Boeing 767 and the 747 and to counter competition from the Airbus A330 and A340 and the McDonnell Douglas MD-11.

The aircraft has helped Boeing beat Airbus Industrie, the European consortium, and so win some important orders over the past year. Singapore Airlines ordered 77 of the aircraft and Malaysia Airlines said it would buy 15 Boeing 777s and 10 747s.

Boeing used the production of the 777 to throw off a host of old working practices which had seen the group fall behind Airbus in computer design and aircraft technology. The 777 was the first Boeing aircraft to be completely computer designed and the first to use fly-by-wire technology.

Fly-by-wire, which means the wing and tail surfaces are controlled electronically rather than mechanically, was introduced by Airbus on its A320, which went into service eight years ago.

Boeing also used the 777 programme to work directly with its customers, asking airlines what they wanted.

Mr Condit says that whatever improvements the 777 brought to Boeing's design, manufacturing and focus on customers, "I would say we're only 25 per cent along the path to remaking the company".

One of Boeing's priorities, he says, is to improve the process under which aircraft seating and other facilities are arranged to meet the needs of different airlines. Work still needs to be done to enable the computer systems involved in this work to communicate with each other.

He is less excited about participating in the current round of US defence mergers. Boeing abandoned exploratory merger talks with McDonnell Douglas last month.

INTERNATIONAL COMPANIES AND FINANCE

NEWS DIGEST

Hyundai Motor fails to impress

Hyundai Motor, South Korea's largest car company, reported a 14.5 per cent increase in net profits for 1995, to Won156.7bn ($200.8m). The market had been expecting higher profits, however, on sales that were up 13 per cent to Won10,300bn.

Analysts believed Hyundai fell short of predicted earnings of at least Won200bn because of costs associated with its recent decision to liquidate its mothballed car plant in Quebec, Canada. Hyundai closed the factory in 1992 because of falling demand in the North American market. In addition, the introduction of generous consumer financing schemes in December to boost sales in the stagnant domestic market also reduced profits.

However, Hyundai has the highest earnings among Korea's five carmakers, since it controls 45 per cent of the domestic market and dominates the medium and luxury class car segments, which have better profit margins than small cars.

Kia, the second largest Korean carmaker, reported a turnround to net profits of Won11.6bn, after a loss of Won69.5bn for 1994. Sales rose 20 per cent to Won5,688bn.

Kia, which has 25 per cent of the domestic market, said the earnings improvement was mainly attributed to a sharp decline in depreciation costs. Heavy investments in production expansion and development of new models, which caused the 1994 loss, also eased last year.

John Burton, Seoul

Demand buoyant at KMT

Korea Mobile Telecom, South Korea's leading cellular telephone operator, reported a stronger than expected 42 per cent advance in net earnings, to Won180.8bn for 1995. Sales increased 69 per cent to Won1,323bn.

KMT, which is one of the most popular Korean stocks among foreign investors, said the earnings rise reflected continued strong demand for cellular services, with 70 per cent growth in subscribers to 1.6m last year. The KMT share price yesterday closed unchanged at Won640,000.

Analysts warn that KMT profits may fall slightly this year as a new rival, Shinsegi, breaks KMT's monopoly on cellular services. However, the market is considered able to support two competitors since the penetration rate for cellular telephones in Korea is still low. Falling handset prices and a cut in subscriber deposit fees are likely to boost demand this year.

KMT will increase investments by 35 per cent to Won1,100bn this year as it introduces a digital cellular network to complement its analogue system, which is suffering a deterioration in call quality as it becomes overloaded with subscribers. Borrowing costs for KMT are also expected to increase as it refunds an estimated Won800bn in deposit fees, which have been an important financing source for its operations. The deposit refund was recently ordered by the government.

John Burton

Manila Electric ahead 31%

Manila Electric (Meralco), the electricity supplier privatised two years ago, boosted profits 31 per cent to 4.4bn pesos (US$168.2m) in 1995. It attributed the growth to productivity gains and favourable rate adjustments.

The company, which is planning to get involved in power generation within the next two years, said a string of natural disasters last year had not caused as much damage as was feared. The number of customers served in 1995 rose 185,000 to 2.66m. No revenue figures were given.

Analysts say that as much as 15 per cent of Meralco's electricity is lost through pilferage and waste. Every 1 per cent reduction in waste translates into an extra 75m peso profit, according to calculations. The company, which has launched a drive to eliminate wastage, plans to give incentives to industrial users to conserve power.

Edward Luce, Manila

Chemicals help lift Sasol

Sasol, the South African liquid fuels producer which manufactures synthetic fuel from coal, has posted a 14 per cent increase in turnover to R6.76bn ($1.8bn) for the six months to December 25 1995. Earnings attributable to permanent capital holders rose 30 per cent to R1.1bn, while earnings attributable to shareholders increased 31 per cent to R1.2bn. Earnings per share climbed from R154 to R196, and the interim dividend rises from 46.5 cents a year ago to 53 cents.

Higher chemical prices lifted the contribution from Sasol Chemical Industries from R373m to R499m.

Analysts said the phasing-out by 2000 of Sasol's R1.1bn annual protective subsidy for synthetic fuel production, announced in December, would combine with lower chemical prices to depress second-half earnings. But they were optimistic about the group's longer-term prospects, as Sasol reduced its exposure to the volatile synthetic fuels market by repositioning itself in the growing chemicals sector.

Mark Ashurst, Johannesburg

Weak markets behind fall at Matsushita

By William Dawkins in Tokyo

Matsushita Electric Industrial, the world's largest consumer electronics company, yesterday said the weak Japanese market and a slowdown in the US and Europe, plus the sale of its US movie business, contributed to a decline in third-quarter profits and sales.

The group unveiled a 23 per cent fall in taxable profits to Y70.1bn ($672m) for the three months to December, on sales down 2 per cent to Y1,829.7bn, compared with the same period last year.

The results were in line with market expectations.

Market competition was intense and margins were hit by a general shift in consumer taste towards lower-priced electronic goods, the group said. Asian markets alone showed firm growth.

Matsushita's results were distorted by the absence of MCA, the US film studio which it sold last April, giving rise – as already reported – to a Y164.2bn foreign exchange loss, charged against the first quarter.

Adjusting for MCA's absence, underlying sales in the third quarter rose 6 per cent and pre-tax profit fell 12 per cent, just over half the rate reported.

Unadjusted group sales in the nine months to December fell 3 per cent to Y5,051bn, with a pre-tax loss of Y10.9bn against a taxable profit of Y175.5bn in the same period last year.

Adjusted for MCA and the foreign exchange loss, sales rose 3 per cent in the nine months and pre-tax profits fell 8 per cent, the group said.

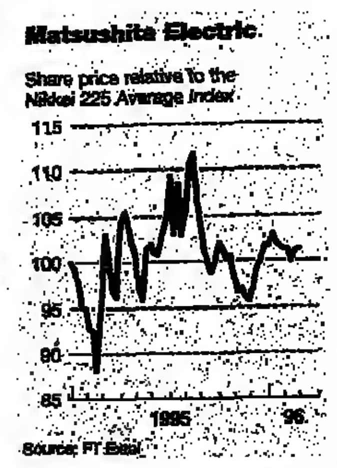
Sales of communications and industrial equipment, representing about 30 per cent of turnover, showed 14 per cent growth in the third quarter, helped by a lift in Japan's mobile telephone market, recently opened to freer competition.

Displays for personal computers and CD-Rom drives sold well, the group said.

Like other Japanese electronics companies, Matsushita said the fastest growth was in its components business, just under a fifth of total turnover, where sales rose 14 per cent in the three months to December, led by strong world demand for semiconductors.

By contrast, its traditional consumer electronics products showed sluggish growth. Sales of video equipment, about 14 per cent of turnover, rose 2 per cent in the third quarter, helped by increased sales of televisions overseas – especially in Asia – and steady growth in sales of wide-screen and high-definition televisions in Japan.

Home appliances, with 15 per cent of sales and Matsushita's most mature business sector, saw a 1 per cent decline in turnover.



HK banks stand tough test of competition

Their growth has slowed, but the colony's institutions are adapting well to change, writes John Ridding

The heady days of the early 1990s may have passed for Hong Kong's banks. "The cycle has peaked and has started its journey down," concluded Moody's Investors Service, the US ratings agency, in a study last year.

But while annual results now being reported show a slowing in earnings growth from average rates of about 30 per cent in 1992 and 1993, some business sectors and many counterparts abroad would welcome the decline. The banks' sturdy base will, however, be needed to confront structural challenges in the industry and increased competition. Smaller banks, in particular, will be tested.

The big three banks have all reported steady rises in net profits and strong growth at the operating level. Hongkong Bank, the Asia-Pacific arm of HSBC Holdings, this week announced 1995 net profits of HK$16.6bn (US$2.1bn), up 16 per cent, and a 23 per cent rise in operating profits before provisions.

A similar pattern was seen at Hang Seng Bank, a subsidiary of the Hongkong Bank group, and at the Bank of East Asia. The other main banks are due to report over the next few weeks, and ING Barings expects the results to show an average increase in net profits of about 16 per cent.

Such increases have been achieved despite a depressed retail environment, a sharp fall in property prices and deregulation in the sector. "1995 was not an easy year," said Mr David Li, chairman of Bank of East Asia. "Interest costs increased with the phased deregulation of deposits, whilst the sluggish property market and the general economic slowdown also brought about a slower loan growth."

The banks' resilience can be attributed to several factors. Conservative collateral policies helped prevent accidents in the property sector, while the impact of interest rate deregulation was offset by limits on liberalisation. Falling US interest rates enabled a spread of about 3 per cent between prime lending rates and deposit rates, comfortably above the five-year average.

Specific sectors saw spurts of activity. In the first half of the year demand for trade finance was strong, reflecting the expansion of economic activity in southern China. Demand for mortgages and property loans, which represent about 40 per cent of total loans, started to rebound towards the end of the year.

As for balance sheets, the disclosure of inner reserves – accumulated profits which have been used to smooth fluctuations in earnings – has served to confirm the strength of the banks' capital bases. "All of the main banks have prudent levels of capital adequacy," says Ms Carmel Wellso, banking analyst at ING Barings, citing capital adequacy ratios in a range of 12 per cent to 25 per cent, compared with the BIS requirement of 8 per cent.

Most analysts forecast steady profit growth this year. But the banks expect the going in Hong Kong to get tougher. The fight for mortgages has intensified, reducing spreads, while the outlook for lower interest rates remains uncertain. There are broader structural challenges, ranging from the maturity of the Hong Kong market and increased competition at home, to a diversification of capital-raising by business and uncertainties relating to the transition to Chinese sovereignty in 1997.

"Hong Kong is now a very mature market, and it has become increasingly competitive," says Mr John Gray, chairman of Hongkong Bank. "Both price and non-price competition will intensify," says Sir Lee Quo-wei, his counterpart at Hang Seng Bank.

Part of the reason is the growing fight for deposits and the entry of new players into the market. The Bank of China and its 13 sister banks have been stepping up their efforts to win business. "They have improved their operations immeasurably," says Mr Gray. "They are a real competitive force."

Competition is not the only challenge. "Major property companies and conglomerates have been raising funds in the international capital markets," says the Moody's report, referring to a trend of disintermediation. More broadly, there is uncertainty generated by the transfer to Chinese sovereignty next year.

The banks are not rattled by the looming transfer. "Of course there will be some changes in Hong Kong, but they won't be as big as the changes I have seen here in my lifetime," says Mr Gray. "I think China's vested interest in letting things continue to tick along is clear," says a counterpart at another bank.

But strategic business considerations have, in any case, prompted geographical diversification. The higher growth rates of regional economies have pushed Hongkong Bank, for example, to increase its branch networks in south-east Asia – from Thailand to the Philippines – and in China. Last year it opened a branch in Beijing and recently announced plans for a representative office in Chengdu.

The Bank of East Asia and other Hong Kong banks have also pushed into the mainland. "They are all knocking on the door in China and elsewhere in the region," says one banking analyst. "The expansion is limited only by the pace of financial deregulation in these countries."

At home, the emphasis has been on cutting costs and diversifying income sources to reduce reliance on interest income. But for some of the smaller players, that may not be enough. "Increased competition will put a premium on big branch networks," says one banking executive. "And that points to consolidation."

Some consolidation has already occurred. Last year, for instance, Bank of East Asia bought United Chinese Bank for HK$1.3bn. JCG Holdings has taken control of Winton, a taxi-financing concern.

More seems likely to follow, although family ownership of many smaller banks limits the prospects for hostile bids. "It will be a gradual process, rather than a rush to merge. But if you look at the industry trends in Hong Kong and the attractions of expansion overseas then size is going to count," says one industry executive. "The smaller you are, the tougher life will be."

A LOOK AT THE BOOKS

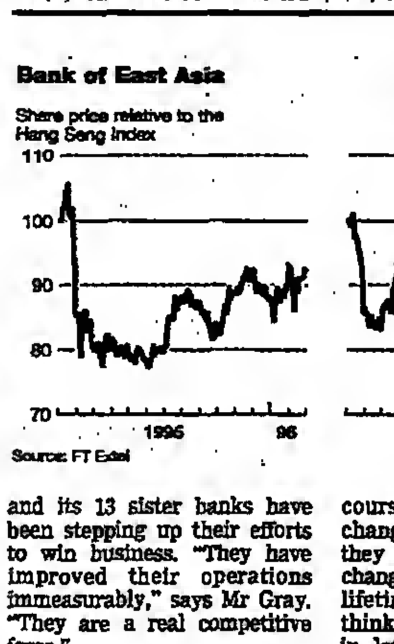
HK$ (bn)	Hongkong Bank 1995	Hongkong Bank 1994†	Bank of East Asia 1995	Bank of East Asia 1994	Hang Seng Bank 1995	Hang Seng Bank 1994
Operating profit before provision/exceptionals	22.803	18.579	1.788	1.421	8.026	6.325
Operating profit	22.063	18.405	1.861	0.998	7.895	8.284
Pre-tax profit	23.489	25.303	1.915	1.844	8.025	8.483
Net profit	18.627	18.907	1.849	1.549	7.984	7.415

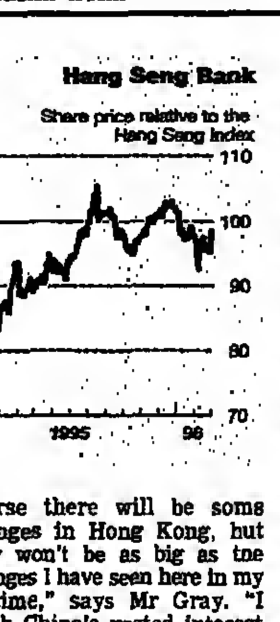
† Includes profit on sale of Malaysian banking business to fellow group member. Source: Company reports

CAPITAL ADEQUACY RATIOS

	Equity/total assets (%)	Adj. equity*/total assets (%)	BIS capital adequacy (%)	Tier 1 ratio (%)
Aeon	21	21	n/a	n/a
Bank East Asia	10	15	18	n/a
Dah Sing Fin.	8	10	14	n/a
Dao Heng	8	8	17	n/a
Hang Seng	12	12	25	19
HSBC	5	5	15	9
IBA	9	10	14	n/a
JCG	52	52	62	n/a
Liu Chong Hing	20	22	28	n/a
Manhattan Card	38	38	n/a	n/a
Wing Hang	8	11	16	n/a
Wing Lung	6	15	18	n/a

* equity included estimates of inner reserves and property revaluation surpluses. Source: ING Barings





Source: FT Extel

Stronger prices drive surge at Gencor

By Mark Ashurst in Johannesburg

Gencor, the South African mining finance house, yesterday reported an 81 per cent rise in attributable income from R388m to R702m ($183.1m) for the six months to December 31, as strong aluminium and chrome prices boosted income. Earnings per share rose 72 per cent from 28.2 cents to 48.5 cents before exceptional items.

An interim dividend of 7 cents, up 1 cent, was declared.

Billiton International, the offshore aluminium operation acquired in 1994, increased its contribution to group income from R52m to R164m. Billiton almost doubled its total earnings for the period from R142m to R274m, or 39 per cent of Gencor's total income.

Net financing charges for the debt-laden aluminium producer fell from $25m for the six months to December 1994 to $12m. This was largely because of the repayment of third-party debt and more favourable interest charges secured by refinancing.

Gencor's established aluminium operation, Alusaf, tripled its contribution to R32m. Its new Hillside smelter is due to reach full production in June, four months ahead of schedule. Analysts say this will help it withstand lower aluminium prices in the second half.

Lower production and a 21 per cent rise in costs at Gengold, the gold subsidiary, offset a marginal increase in the average gold price for the period, and income dropped 28 per cent to R56m. Gencor is to underwrite a R600m rights issue by Gengold to fund capital investment at the Oryx gold mine, which is forecast to break even in mid-1998. The three Evander gold mines are to be merged with Bracken, securing 19,800 hectares of additional mineral rights.

Samancor, the chrome, manganese and stainless steel producer, increased its contribution 178 per cent to R222m, reflecting improved sales volumes and higher ferrochrome prices. The increase includes capital profits on the sale of its investment in the French company Usine, and revenue from the additional 8 per cent equity holding acquired by Gencor in July last year. Gencor said stainless steel output would increase in the second half as the Columbus plant, opened last month, reached capacity. More than 5,000 tons, or 8 per cent of Columbus's total saleable output, had been returned to the plant by European clients for for reprocessing.

Ingwe, the coal subsidiary, reported a 129 per cent rise in income to R87m, despite disruption by heavy rains. Flood damage would hit second-half profits, Gencor said.

Implats, the platinum producer, was hit by a furnace failure and static rand prices, and reported a 54 per cent decline in income to R24m.

Fairfax warns of profits downturn

By Nikki Tait in Sydney

John Fairfax, the leading Australian newspaper publisher in which three media proprietors hold stakes, yesterday warned that full-year profits for 1995-96 would be down by up to 20 per cent on the previous year's figure.

It blamed higher newsprint costs and a larger depreciation charge in the wake of a number of capital projects. It also said it expected "current levels of subdued economic activity and business confidence to continue" in the immediate future.

In 1994-95, the group made an operating profit after tax of A$147.3m (US$111.5m), after taking a A$10.8m abnormal charge.

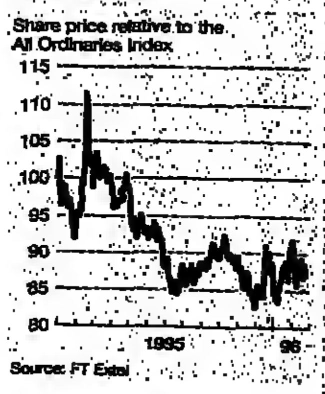
Fairfax's warning came as the group announced a first-half profit of A$62.4m after tax, down 23.2 per cent on the first half of 1994-95. Revenues were 7.3 per cent higher at A$516m, but operating costs jumped sharply from A$328.3m to A$381.8m, a rise of 16.3 per cent.

Coupled with the higher depreciation charge, earnings before interest and tax were down 17.8 per cent at A$114.6m. Interest charges were slightly higher, at A$19.7m, although the tax charge fell from A$40m to A$31.6m. There were no significant abnormal items in either half.

The group said that advertising volumes had been flat, or slightly weaker, for most publications. The combined classified volumes for The Sydney Morning Herald, and The Age in Melbourne, dipped by 2 per cent, for example, largely because of the subdued housing market. The rise in operating costs, meanwhile, reflected the higher newsprint prices.

Fairfax's figures came after the market closed, but the shares had already eased 3 cents to A$2.84. The company is a frequent subject of bid speculation, with Mr Conrad Black, the Canadian publisher, owning about 25 per cent of its shares, and Mr Kerry Packer, the Australian businessman, having more than 17 per cent. Mr Rupert Murdoch, head of the News Corporation media group, has a much smaller interest.

Neither Mr Black nor Mr Packer are able to raise their stakes further, because of Australia's media ownership rules (which cap both foreign investment and the degree to which one individual can control different types of media). However, if the country elects a Liberal-National coalition government in Saturday's poll, many analysts expect these restrictions to be relaxed.



Howard Smith edges ahead and cautions on slower growth

By Bethan Hutton in Sydney

Half-year net profits at Howard Smith, the Australian hardware, towage and engineering group, crept up 1.9 per cent to A$39.1m (US$29.6m), after 43 per cent growth in the previous full financial year. Sales for the six months to December fell 1.2 per cent to A$1.07bn.

The company's first half is traditionally stronger than the second; Dr Ken Moss, managing director, said it would be difficult to improve on the 1995 full-year result.

The lower net profit figure was partly blamed on a tax increase from 33 per cent to 36 per cent during the period, and an abnormal cost of A$2.2m before tax, related to redundancy payments in the UK.

Further redundancies in the UK are likely this year as rationalisation continues of the Alexandra towage and salvage business, acquired in 1993. Towage profits improved 13 per cent in the UK and 10 per cent in Australia.

A downturn in residential building activity in Australia also affected the group's BBC hardware chain, which mainly supplies professional builders. However, retail sales have risen, and the group is expanding its Hardwarehouse chain of retail superstores: 12 new outlets are due to open this year.

Late last year the group announced plans to wind down its shipping business, and some of the A$60m to A$80m cash expected from that divestment should start to flow in during the second half.

The interim dividend is unchanged at 15 cents.

● Arnotts, the Australian biscuit maker, cut its dividend and warned that full-year results would be below expectations, while announcing a 14.1 per cent drop in interim operating profits. The group warned in January that it would be unable to meet its forecast of 10 per cent growth this financial year.

The operating profit for the half year to December was A$59.7m, compared with A$69.5m. Net profit after tax and before abnormals fell 18.8 per cent to A$38.7m from A$47.6m. Net profit after tax and abnormals was 6.7 per cent higher, as there were no abnormal items this year, against a A$17m abnormal loss last time. Sales revenue grew 6.4 per cent to A$357.4m.

LG Electronics posts 24% decline

By John Burton in Seoul

LG Electronics, South Korea's second-largest consumer electronics company, reported a 24 per cent fall in net profits to Won79.2bn ($101m) for 1995, although sales were ahead 28 per cent to Won6,590bn.

The drop in earnings was sharper than expected, reflecting sluggish consumer buying in the fourth quarter of 1995 caused by uncertainty following recent political scandals. Profits were also affected by a price-cutting war among domestic consumer electronics makers.

In addition, investments in the development of multimedia businesses and the construction of manufacturing plants for liquid crystal displays depressed profits.

LG Information & Communications, which manufactures telecoms equipment, reported an 89 per cent increase in net profits to Won22.1bn on sales ahead 52 per cent to Won512.7bn. Profit growth reflected strong demand for equipment as the Korean telecom market is deregulated.

LG Chemical produced results below expectations with net earnings unchanged at Won91.2bn. Sales increased 19 per cent to Won3,320bn.

LG Construction reported a strong recovery, with net earnings almost doubled to Won19.6bn on sales up 45 per cent to Won1,480bn. This reflected increased orders from other LG companies and the sale of a Seoul office building to LG Semicon, the group's semiconductor manufacturer.

COMPANY NEWS: UK

GA increases motor insurance rates by 4%

By Ralph Atkins, Insurance Correspondent

General Accident yesterday became the first large insurer to attempt to reverse fierce price cutting in UK private motor insurance. It announced rises averaging 4 per cent from April.

GA announced the increases alongside pre-tax 1995 operating profits of £436m ($671m), which were higher than expected and compared with a restated £434m last time.

Highlighting GA's attempts to ameliorate deteriorating UK trading conditions, Mr Bob Scott, chief executive, also set the group's sights on making a significant acquisition in continental Europe. He identified the large French and German markets as possible targets.

Meanwhile it emerged that GA is considering a sharp reduction in its lossmaking London insurance market operations which have also *been affected by fierce price cutting*. The group has cut the marine business it underwrites from £100m in premium income to about £60m but may decide to concentrate solely on cargo insurance and parts of reinsurance.

GA's attempts to reverse recent steep rate reductions in UK private motor market were helped last night when Direct Line, the UK's largest private motor insurer, said it would also be looking at "selective" rises.

GA's move follows more than a year of fierce price cutting across the sector.

Results yesterday showed a *fall in GA's UK underwriting* profits last year from £200m to £92m. Burst water pipes in severe weather at the end of *1995 cost £40m but the personal* motor account also produced an underwriting loss of £1m against a £19m profit last time.

On European acquisitions, Mr Scott said purchases would have to fit with existing GA strengths in household, small commercial, personal accident or life markets.

Trevor Humphries

Bob Scott: French and German markets were possible targets

Kvaerner to eschew battle for Trafalgar

Andrew Taylor on the background to its friendly bid approach to the conglomerate

The *Keswick family's* 26 per cent investment in Trafalgar House, owner and developer of some of the the world's best known buildings and ships, has been little short of disastrous.

The British engineering, construction and shipping conglomerate made a pre-tax loss of £330.8m in the year to September, taking total losses over five years to more than £700m. Shareholders have stumped up more than £900m over the same period through three rights issues.

The group's share price was already languishing at 73½p when Hongkong Land, part of the Keswick family's Jardine Matheson empire, started to buy its stake in 1992. The shares had fallen to 39p before *yesterday's announcement* that Kvaerner was considering making a bid for all or part of Trafalgar.

The Norwegian engineering and ship-building group has not wasted much time in switching its sights to *Trafalgar from Amec, a rival UK* engineering and construction group. Kvaerner's hostile £360m bid for Amec was heavily defeated in December.

The desire of Mr Erik Tonseth, Kvaerner's chief executive, to develop a global offshore engineering and construction group by purchasing *a large UK concern has not* waned in spite of this disappointment.

An outright bid for Trafalgar, however, would cost at least £813m at last night's closing prices: the ordinary shares were up 8½p at 47½p and the convertible preference stock up 9½ at 71½p.

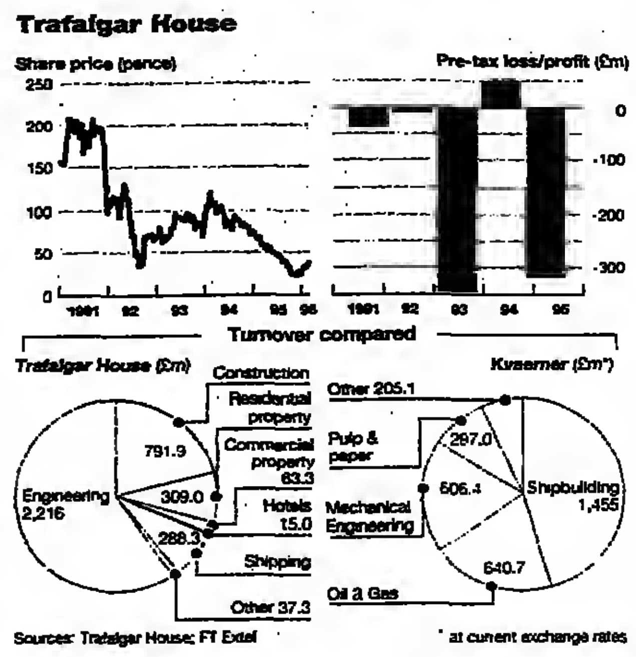
But Kvaerner may not want all of Trafalgar's businesses.

The attractions for the Norwegian group are thought to include Trafalgar's North Sea offshore engineering division, its John Brown and Davy businesses specialising in the design and construction of chemical and metal processing plant, and the group's general building and civil engineering operations.

Kvaerner already has a big offshore fabrication business mainly serving the Norwegian sector of the North Sea. It failed to break into the UK sector where Trafalgar, like Amec, has a large market share.

A takeover would create the world's largest offshore oil and *gas fabrication business*, bigger than either of the present market leaders, Brown & Root and McDermott of the US.

Trafalgar, in spite of heavy engineering and construction losses, has continued to win prestigious contracts in the rapidly growing economies of south-east Asia.



The one division Kvaerner seems unlikely to want is Trafalgar's Cunard cruise business. It lost £16.4m last year after a public relations disaster over the ill-executed refit of its QEII flagship, which prompted senior management changes.

Mr Simon Keswick and Mr Nigel Rich, Trafalgar's chairman and chief executive, have blamed poor management in the late 1980s and early 1990s for the group's continued struggles.

Some of the biggest problems arose after the purchase of Davy Corporation for £114m in 1991. Davy, which had been courted for more than a decade by Trafalgar, brought with it a series of problem contracts, *including the Emerald oil pro*duction platform for Midland & Scottish Resources. These lossmaking contracts have been a serious drain on Trafalgar profits over the past five years.

The group's purchase of Sofresid, the French engineering and construction group, also brought problems. Trafalgar's engineering division, including Davy and Sofresid, made a loss of £110.2m last year and reported provisions of £56.7m to cover restructuring costs.

The group believes, however, it reached a turning point last autumn, when net debt had risen to £229m, representing almost two-thirds of shareholders' funds of £355m.

Since then, the group has raised about £250m from the sale of the Ritz hotel in London and the group's UK house building division, Ideal Homes.

Most of the trophy assets purchased before the Keswick family came aboard have now gone. The shipping business was thought to be next in line for sale, before Kvaerner's approach.

This may still be the most likely outcome, with analysts doubtful last night whether the Norwegian group would be able to afford to mount a successful bid. Trafalgar shareholders, however, may be short on patience given the group's track record.

Ionica raises £50m in equity finance

By Alan Cane

Ionica, a Cambridge-based start-up company, has raised a further £50m in equity finance to fund its bid to wrest a 20 per cent share of the local telephone market from British Telecommunications, the UK's dominant operator.

Next month, it is set to launch an innovative, radio-based telephone service for the home and office, which will compete directly with BT and regional cable television operators.

Ionica has developed an innovative radio technology in conjunction with Northern Telecom of Canada which allows it to connect customers at very low cost compared with cable or copper wire.

It will be the first time BT's monopoly of the so-called "local loop" – the connection between the local exchange and the home or office – has been challenged nationally by a single operator.

The total raised in equity since the group was awarded an operator's licence in 1991 is more than £150m, a remarkable figure for a start-up, high-technology company which has yet to sign a customer.

The new shareholders are led by CWB Capital Partners, a leading European private equity investor.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 27.02.96: Pool purchase price £/MWh	Final Price for Trading on 31.01.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.66	23.26	25.40
0100	12.59	23.52	25.64
0130	8.53	43.31	45.43
0200	8.53	43.31	45.43
0230	8.53	43.32	45.44
0300	8.53	53.25	55.37
0330	8.53	53.24	55.37
0400	12.53	53.24	55.36
0430	9.18	23.52	25.64
0500	9.18	23.52	25.64
0530	9.60	23.58	25.70
0600	9.68	23.87	25.99
0630	9.68	23.87	25.99
0700	17.60	34.20	38.39
0730	13.08	35.11	37.56
0800	13.60	39.23	42.36
0830	13.92	45.52	49.28
0900	14.40	50.62	55.50
0930	15.81	59.97	65.96
1000	15.88	67.85	74.42
1030	15.57	66.84	73.11
1100	14.14	58.48	64.20
1130	14.04	58.08	63.73
1200	13.98	54.70	60.39
1230	13.88	51.87	58.96
1300	13.23	47.97	52.24
1330	12.78	39.75	43.01
1400	12.68	38.41	41.38
1430	12.66	38.20	41.11
1500	12.64	38.80	41.86
1530	12.63	41.59	45.38
1600	12.75	56.75	64.33
1630	13.12	120.28	141.86
1700	14.96	262.34	302.79
1730	19.78	318.41	358.01
1800	27.57	282.50	316.82
1830	34.83	158.72	178.71
1900	34.15	95.18	104.43
1930	26.86	64.25	70.68
2000	19.54	43.71	47.62
2030	14.63	37.56	40.26
2100	13.16	34.89	37.25
2130	12.92	34.25	36.44
2200	12.82	34.07	35.21
2230	12.53	34.02	38.14
2300	9.70	24.58	26.70
2330	9.69	24.08	26.21
2400	9.16	9.15	9.15

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £15.86/MWh becomes 1.586p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) with final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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COMPANY NEWS: UK

Barclays rises 12% and makes buy-back

By George Graham, Banking Correspondent

Barclays yesterday spent £206m ($470m) to buy 40m of its shares as it reported a 12 per cent increase in 1995 pre-tax profits to £2.08bn.

The UK clearing bank paid 765p a share, reducing its capital by about 2.5 per cent. Yesterday's buy-back followed the purchase of 25m shares for £180m last autumn. "We have made it very clear that we see share buy-backs as a way of managing our capital," said Mr Andrew Buxton, chairman.

Mr Buxton announced a record £83m profit-sharing bonus amounting to 8 per cent of salary, an average of £1,200 a head, for about 70,000 staff. The announcement came as Unifi, the Barclays staff union, threatened to hold a strike vote over pay and conditions.

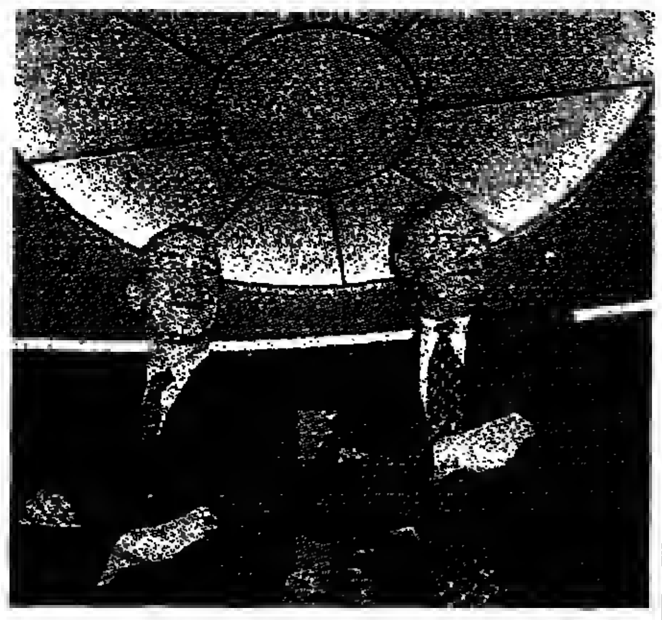
The buy-back and the prospect of further dividend growth helped the shares to recover after an early dip in response to the relatively flat profits. They closed at 765p, down 6p, after falling as low as 753p.

The results were at the low end of expectations, but earnings per share rose more strongly than pre-tax profits – up 15 per cent to 83.6p, as a result of last year's buy-back. Return on equity remained strong at 20.7 per cent.

Operating profit before provisions fell by 5 per cent to £2.25bn as expenses rose faster than operating income.

Net provisions were cut from £602m to £296m in 1994, with some earlier general provisions transferred into the specific provision category in the second half. More than 80 per cent of its net specific provisions covered the UK, with increases in the transport and personal sectors more than offset by reductions in the leisure, manufacturing, distribution and property sectors.

The reference to the transport sector was taken by many analysts to allude to Eurotunnel, but Mr Buxton said Barclays had never been one of tha principal lenders and hinted that any exposure might already have been covered. "We have a policy of providing sensibly and early. And you can read into that whatever yon like," he said.



Ashley Ashwood

Martin Taylor, left, chief executive, and Andrew Buxton: policy of making early and sensible provisions

Royal links help Sleepy Kids

By Peggy Hollinger

Sleepy Kids, the animation and character merchandising company with royal connections, reported an 86 per cent jump in annual pre-tax profits from £522,745 to £973,067 ($1.5m).

Budgie the Helicopter, the tubby airborne cartoon character created by the Duchess of York, was responsible for much of the group's revenue growth in the year to October 31. The television series is exported to more than 70 countries and there are more than 135 merchandising deals.

And Prince Charles' Princes Trust has engaged the company for merchandising its Mask '96 campaign, which aims to raise £1m for disadvantaged children through an auction of masks.

Sales in the year to October 31 rose from £1.12m to £1.76m. Mr Martin Powell, chairman, said Sleepy Kids had also enjoyed strong performances from other cartoon projects.

He added that the deal concluded by the Duchess to sell her Budgie interests to a US investment gronp, in return for payments to cover ber estimated £3m debts, would have no effect on the company.

Wimpey falls to £16m as interest charges treble

By Andrew Taylor, Construction Correspondent

The extent of the gap that George Wimpey, Britain's largest housebuilder, will have to close if it is to make a success of its asset swap with Tarmac was emphasised yesterday when the company announced a steep fall in 1995 profits.

Pre-tax profits declined from £45.1m to £15.6m ($24m) as the UK housing market experienced its worst trading conditions since 1993, according to Mr Joe Dwyer, chief executive.

Profits were also reduced by a jump in interest payments to £18m (£5.9m) as net debt rose from £34.5m to £168m.

The figures were in line with the company's recent profits warning and its shares closed down 2p at 134p.

The group is swapping its construction and quarry businesses for Tarmac's housebuilding operations. The deal, approved on Monday, is due to be completed by the end of this week.

Mr Dwyer said the two housing businesses would be run separately. Even so, there would be annual savings of about £5m from sharing support services. About 200 jobs were expected to be lost.

Mr Dwyer said the housing market had picked up in the first eight weeks of this year. The final quarter last year saw a 25 per cent fall in net reservations – agreed sales on which a deposit has been paid.

Wimpey sales were now running at about the same level as the beginning of 1995, even though it was selling from 6 per cent fewer development sites. Operating profits from UK housing slipped from £46.2m to £28.3m.

The US, where the group suffered from high start costs and a depressed market in the first half, made an operating loss of £2.9m (£3.8m profit).

Wimpey's Australian business, which specialises in selling residential land, recorded operating profits of £1.4m (£4.4m).

The construction division being transferred to Tarmac made an opereating loss of £4.4m (£3.5m profit).

IOC placing gets £19.6m valuation

By Paul Taylor

Shares in Integrated Optical Components International, which is coming to the Alternative Investment Market through a placing with institutions, are being priced at 80p each, capitalising the specialist electronic component maker at £19.6m ($30m).

The placing by Henry Cooke, Lumsden, the stockbrokers, of 9.32m shares – representing 38 per cent of the capital – will raise £7.45m.

IOC, which was formed in 1991, designs and makes opto-electronic components, typically used to generate signals in fibre optic telecommunications networks enabling fibre optic strands to carry information.

● Easynet Group, an Internet service provider with some 5,000 customers, has issued its prospectus for joining Aim.

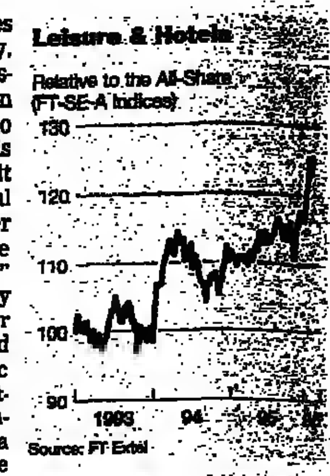
It will have a market of £14.3m ($22m) following the placing of 1.43m shares at 100p and an open offer for the same number.

Online database supplier MAID recently bought a 15 per cent stake for £1.5m and appointed Easynet as its preferred Internet service provider in the UK and France.

● Treatt, the essential and aromatic food oil manufacturer, is seeking to raise £1.43m ($2.2m) from a placing at 305p of 479,770 ordinary shares. Proceeds will be used to reduce borrowings and increase production capacity.

LEX COMMENTS

UK gaming hits the jackpot



British gaming companies hit the jackpot yesterday, with the government promising wholesale deregulation for both bingo and casino operators. The proposals demonstrate significant guilt at the impact the National Lottery has had on other gambling businesses. The Lottery's "It could be You" slogan unequivocally encouraged greed rather than charity, which seemed unfair, given the archaic restrictions faced by its natural competitors. The consultation paper makes a good stab at levelling the competitive playing field. Proposed changes to bingo regulation, such as easing advertising restrictions and removing the 24-hour waiting period for membership, were expected. After all, bingo is hardly hardcore betting. But the casino operators have really come up trumps. Casinos will be able to increase the number of gaming machine – the real cash generators in US casinos – from two up to 64, depending on the number of gambling tables. Membership restrictions are eased, and there is the prospect of casinos in 13 more locations in Britain. This is excellent news for Rank and, to a lesser extent, Ladbroke, Stakis and Stanley Leisure.

The introduction of gaming machines to betting shops was proposed a year ago, and is still pending. Under that time frame, the latest proposals could run into a general election and a new government which might not see political capital in encouraging gambling. Buying casino company shares is also a flutter on the longevity of the Tory government.

Barclays

On an assault course, every pound you can shed is a help. Barclays, which wants consistently to hurdle a target 15 per cent return on equity, has therefore decided to shed some more excess capital. Even after yesterday's £200m share buy-back, its capital ratios will still be easily strong enough to fund a bank whose customer loans have shrunk in each of the past three years.

Rivals like Lloyds TSB and National Westminster have responded to mature markets by trying to buy market share. But with banks' cost of equity currently about 12 per cent and the yield on a deal like NatWest's purchase of Gartmore nearer 5 per cent, acquisitions can dilute overall returns. Of course, cost cutting and synergies can make a deal pay. But Barclays' idea of handing back some of that expensive equity to shareholders looks much less risky.

What is less clear is whether Barclays' caution means it will miss out on the industry's wave of consolidation. In Britain at least, Mr Martin Taylor, Barclays' chief executive, argues, it is already big enough to compete on all fronts. Instead, he wants to squeeze more cash out of the group's existing portfolio. Improving free cash flow – £1.2bn last year – should allow further buy-backs and above average dividend growth. But while he is squeezing cash, Mr Taylor must not neglect costs. These rose by an underlying 5 per cent last year – faster than at the peer group – as Barclays spent heavily on people and technology. It would be a shame if today's leaner Barclays started putting on weight again.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Barclays	Yr to Dec 31	-	(-)	2,083	(1,859)	83.6	(72.4)	18.5	May 2	13	26	21
Capita	Yr to Dec 31	87	(73.8)	9.42	(7.9♥)	11.8†	(10.5)	2.6	Apr 29	2.2	3.8	3.3
Dixon Motors	Yr to Dec 31	141	(91.2)	3.36	(4.47♥)	16.2†	(15.4)	3.325	May 3	2.5	5	3.75
Domnick Hunter	Yr to Dec 31	44.2	(36.7)	7.17	(5.62)	14.53	(10.35)	3.6	April	3	6	4
English & O'seas	Yr to Dec 31	6.95	(4.56)	0.631L♠	(0.987♥)	0.83L	(1.29)	0.6	June 27	0.6	0.83	0.9
General Accident	Yr to Dec 31	5,917□	(5,140□)	559	(504)	82.8	(80)	20.3	July 1	16.8	31	29
HTV	Yr to Dec 31	135	(123.3)	12.1♠	(7.3♠)	10.5†	(6.8)	2.5	May 24	1.5	3.75	2.25
Irish Permanent ♣	Yr to Dec 31	108	(92)	42.4	(35.1)	35.4†	(39.82)	7	May 28	6	10.5	8
London Finance	Yr to Dec 31	-	(-)	0.124L♠	(4.55♥)	0.96L	(13.62)	0.7	Apr 6	0.8	0.7	0.6
Pifco	6 mths to Oct 31	21.3	(19.7)	1.58	(1.4)	6.8	(8.3)	2.3	Apr 29	2.1	-	4.85
Sinclair (Wm)	6 mths to Dec 31	18.5	(17.9)	1.76	(1.49)	5.4	(4.6)	1.9	Apr 4	1.8	-	7.8
Sleepy Kids §	Yr to Oct 31	1.78	(1.12)	0.97	(0.52)	2.98	(1.74)	0.1	May 13	nil	0.1	nil
Telegraph	Yr to Dec 31	254.8	(252.1)	35.5	(45)	17.3	(23.4)	7.5	May 8	7.5	13	13
Union	Yr to Dec 31	-	(-)	1.37♥	(3.46L♥)	2.6L†	(15.3L☆)	1.5	Apr 26	1.5	3	3
Wimpey (George)	Yr to Dec 31 ★	1,625	(1,723)	15.6	(45.1)	1.6	(8.73)	3.5	May 8	3.5	5.5	5.5
Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Edinburgh Income	9 mths to Jan 31	45.8	(39.8⚵)	0.364	(0.408)	2.4	(2.7)	1#	Apr 4	1	-	4
River & Mercantile	Yr to Dec 31	210.09	(183.88)	9.61	(9.71)	9.43	(9.55)	2.73	Apr 8	2.45	9.48	9.2
R&M Smaller	6 mths to Jan 31	161.31	(138.85)	0.406	(0.282)	1.58	(1.12)	1.3	Apr 3	1.25	-	4.325
Scottish Eastern	Yr to Jan 31	115	(88)	12.2	(9.95)	1.92	(1.57)	1.19	May 14	1.06	1.74	1.58
TR European Growth	6 mths to Dec 31	206.46	(179.33)	0.253	(0.089)	0.44	(0.12)	-	-	-	-	1.7

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. □Premium income. ♣Irish currency. §USM stock. ☆Restated. ★Comparatives restated. ⚵At April 30. #Third interim; makes 3p to date.

COMMODITIES AND AGRICULTURE

Silver syndicates 'still seeking $8 an ounce'

By Kenneth Gooding, Mining Correspondent

The syndicates that unsuccessfully tried to manipulate the price of silver above US$6 a troy ounce last year, and even as high as $8, are biding their time for another push upwards, analysts suggest.

Silver failed to reach $6 in 1995 in spite of an imaginative "sting" that involved the metal disappearing from New York Commodity Exchange warehouses, where it was highly visible, followed by a squeeze on the London bullion market's liquidity. This took place against a backdrop of strong demand from India, the biggest consumer.

Yesterday the CPM Group, a New York-based consultancy, pointed to changes in market conditions when presenting its annual silver survey, which is sponsored by 14 corporations representing every sector of the silver market.

The survey said that at the beginning of 1996 global stocks of silver – used mainly in photographic film, jewellery and electronics – fell below 700m ounces, from about 900m ounces at the end of 1994. Much of the remaining stock came under the control of new investors, including institutional investors, which had long-term objectives.

"These investors appeared unwilling to supply silver to the market at current prices. Instead, they appeared to have price targets of $8 [an ounce] and higher," CPM suggested.

Reported market stocks fell by nearly 34 per cent last year to 212.8m ounces, their lowest level since June 1983, said CPM. Much of tha silver moved from reported stocks went to London.

"While London vaults are full of silver, the metal is neither for sale nor lease, suggesting thot the entities holding this metal are investing in silver and are not dealers or banks," CPM added.

Mr Jeffrey Christian, CPM's managing director, implied that the $8 target would not be reached this year when he predicted that silver would average $5.86 an ounce, up from $5.20 in 1995. He said the price would go above $6 at some point in 1996 but it would takc "some major scares" in the US presidential election to force it above $7.

Placer to raise gold output

By Bernard Simon in Toronto

Placer Dome, the mining group based in Vancouver, expects to boost net gold output by at least 650,000 to 700,000 ounces a year to meet a production target of 2.5m ounces in 1998.

Company officials predicted yesterday that five new projects in North and South America and Australia will raise annual production hy about 750,000 to 850,000 ounces, which would more than offset an expected decline in output from the Misima and Porgera mines in Papua New Guinea.

Mucb of tbe planned increase depends on Placer receiving the go-ahead for its 70-per-cent-owned Las Cristinas property in Venezuela, where production is expected to start in mid 1998 at a rate of about 420,000 ounces a year.

Placer is due to complete a mine feasihility study at Las Cristinas next month. However several regulatory issues, including royalty payments and foreign exchange controls, have yet to he resolved. "The question of when [the project will come on stream] is more up to Venezuela than to us," Mr John Willson, Placer's chief executive, said.

Placer bopes that a drilling programme at Las Cristinas will uncover a source of high-grade ore to improve the economics of the mine in its early stages. Initial indications point to possihle extra reserves of 10m tonnes with a grade of 2 grams per tonne of gold and 0.6 per cent copper.

The company announced plans last week to proceed with construction of the 68-per-cent-owned Musselwhite mine in northern Ontario.

Placer's 1998 production target also includes an expansion of the Cortez property in Nevada, the Mount Rawdon beap leaching project in Australia and the Mulatos project in Mexico.

Modest expansions are planned at the existing Dome and Campbell mines in Ontario.

Placer's 1995 earnings were dented hy a US$42m charge for a costly misadventure in Kazakhstan. Placer sold its 27.5 per cent stake in the Vasilkovskoye gold project late last year after the ore body failed to meet expectations and the project took a disproportionate amount of management time.

The charge included a $35m refundable "bonus" paid to the Kazakh governmeot, which is due to be repaid before July. Mr Willson said that the Kazakh authorities had acknowledged the debt, hut that "it's very well known that they're short of cash".

Mr Willson expressed optimism that strong jewellery demand in Asia and falling output in South Africa would support the gold price. But he said "we'd be doing well" if the price averaged $400 an ounce this year. Placer has based its planning on a price of around $375.

Chile's islanders net an aquatic earner

Sarah Provan reports on an island that produces more farmed salmon than Scotland

Trucks laden with refrigerator crates and cases of fishmeal queue up alongside crowded buses to wait for the car ferry, the only link between the island of Chiloé and mainland Chile. Recently the queue of traffic for the frequent service across the Canal de Chacao has grown, thanks to an industry which has revitalised the island's economy.

Chiloé, which means land of the seagulls, lies just off the coast of southern Chile 1,300km (800 miles) from Santiago. The nearest big mainland town is Puerto Montt 60km away. The Chilotes, as the islanders are called, barter goods from their traditional activities of fishing, farming, tending sheep and weaving wool.

Historically the 130,000 islanders have always been a people apart, with their own folklore and traditions. Now salmon farming, introduced to Chile in the 1970s, has reformed the island's economy and seems to be bridging the gulf between Chiloé and the mainland.

Chile is the world's second-largest salmon producer after Norway. The country produces three varieties of salmon, the Atlantic, Pacific or coho, and large trout. The gutted weight production for 1995 was 99,800 tons, compared with 75,678 tons the previous year, according to figures from the International Salmon Farmers Association. Between January and November last year this earned $456m, an increase of more than 23 per cent on the $348.7m earned in 1994, according to figures from the Chilean Association of Salmon and Trout Producers. This is a far cry from the pre-boom days of 1981 when the industry prodnced just 50 tons.

Norway's output in 1995 was 245,000 tons, and Scotland, which only produces Atlantic salmon, totalled 73,000 tons in 1995 and 57,600 tons in 1994.

Aquaculture has awakened the island's industry, says Mr Sandro Rezzio, the site manager at SalmoAmerica's Atlantic salmon plant in Manao on the northern shores of Chiloé, "but it's more a question of re-educating the people. Rather than earning well for one week out of three, and frittering away that one week's pay on drink, the Chilote has had to be re-educated. He has had to learn how to work for four weeks in a row and manage his salary."

The salmon industry haa transformed the island since its introduction in the mid 1970s. Chilotes used to send their children away to work, for example to neighbouring Argentina, because there was not enough land for small landowners. Now the lakes and inlets have taken over from the fields as the main money spinner. Salmon farming has provided 15,000 johs for the southern Chilean islands, a region where work is scarce.

SARAH PROVAN

Fresh catch: workers process salmon off the island of Chiloé

Mr Thomas Kehler, director of SalmoAmerica, agrees: "The salmon industry has opened np the island [economically]. Before the introdnction of salmon there were no opportunities for permanent employment; it was mostly a subsistence living being eked out, particularly with agriculture – mostly potatoes – fishing and cattle."

Mr Kehler sees Chiloé as the ideal site for salmon production. "It's an island, with an inland sea with waters relatively protected, especially compared with the Pacific ocean. It would be impossible to maintain sea cages in exposed areas of the Pacific. The island's geography is ideal, forming sheltered hays and fjords for the pens."

Southern Chile, and particularly Chiloé, which is 180km long hy 50km wide, offers unique environmental characteristics which suit salmon farming. At a similar latitude to Portugal, sea temperatures around Chiloé are influenced by the Humboldt current, a cold ocean current which carries water north from the Antarctic. This limits the change in sea temperature to between 9°C and 14°C, ideal for producing salmon all year round. The area also has extreme tidal differences, which hring rich nutrients and constant water change.

Chile also has a ready supply of fishmeal. Chile and Peru, with their long coastlines and variety of fish, such as anchovies, horse mackerel and sardines, are the world's largest fishmeal producers. Some 75 per cent of Chile's fish is made into fishmeal.

Apart from providing the islanders with regular employment, the salmon industry has opened up subsidiary activities, snch as transportation and manufacturing fishing nets and cages.

Mr Kehler says labour costs are slightly cheaper than those of northern competitors. However, he points out that Chile faces a big disadvantage from the long distances to the main markets. Because of this Mr William Crowe, chief executive of the Scottish Salmon Growers Association, is sceptical about the prospects for the Chilean industry.

"Chile benefited from leap-frogging the technology," Mr Crowe admits, "but they now seem to be getting into trouble as bugs are coming into the system." He added that if they continued to expand at the same rate, they would have to move into Aisén and Magallanes, the sonthern regions of mainland Chile, where communications and roads in the broken mountainous coastal area are inadequate. In addition the water temperatures in the fjord-ridden 11th region are similar to those in Norway, which would prevent year-round farming.

Another growing problem for Chile is attacks from the ubiquitous sealions which roam the coastal seas and view the salmon pens as an easy fond supply.

The salmon industry has discovered that the relatively unchartered waters of Chile have a lot to offer, particularly if Chile can find and develop markets closer to home.

MARKET REPORT

Nickel price fall leads weaker market

London Metal Exchange prices continued to weaken yesterday with nickel experiencing the biggest fall. Its price was down by 2.4 per cent to $8,035 a tonne following a 1.9 per cent fall on Monday.

"From a fundamental perspective, we would not be surprised to see further short-term weakness in nickel prices, although we would not aggressively short the market until LME stocks start rising," said Mr Jim Lennon, analyst at Macquarie Equities.

Mr William Adams, analyst at Rudolf Wolff, said that technically the nickel market looked very weak. "But having fallen $500 in three days prices might need to pause before heading lower again." Then the price could go to $7,400 a tonne.

LME copper stocks fell by 2,125 tonnes, which helped support its price. Other stock changes were too small to have an impact on sentiment.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+2,925	to 678,060
Aluminium alloy	+580	to 71,760
Copper	-2,125	to 350,925
Lead	-2,750	to 102,475
Nickel	+6	to 38,700
Zinc	-1975	to 635,475
Tin	-135	to 10,410

Mining stockbroker dies in South African road accident

Mr Boh Dighton, one of the team at specialist mining stockbroker T. Hoare & Co, has died in a road accident in South Africa.

His wife Karen and daughter Emily, 7, who had joined him at the end of a business visit, also died.

Mr Dighton, 39, was well-known in the mining industry, having previously worked for Yorkton, the Canadian broker, and Max Pollack & Freemantle in Johannesburg.

He first worked with Mr Tim Hoare at Laing & Cruikshank from 1985 to 1990 and rejoined him when T. Hoare was set up in 1993.

Mr and Mrs Dighton lived in Bexley, Kent, and are survived by their son Justin, 22.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1574.5-75.5	1605-1605.5
Previous	1575.5-76.5	1605.5-1606
High/low	1573	1612/1602
AM Official	1571-72	1602-1602.5
Kerb close		1609-10
Open int.	211,049	
Total daily turnover	47,585	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1343-48	1378-82
Previous	1340-50	1375-80
High/low		1385/1376
AM Official	1338-40	1375-76
Kerb close		1380-83
Open int.	4,953	
Total daily turnover	669	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	769.5-70.5	765-66
Previous	782.5-93.5	775-76
High/low	773	769-64
AM Official	773-74	767-67.5
Kerb close		767-68
Open int.	36,726	
Total daily turnover	6,967	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7920-30	8030-40
Previous	8115-25	8225-30
High/low	7910	8100/7980
AM Official	7910-15	8005-15
Kerb close		8085-95
Open int.	40,926	
Total daily turnover	19,743	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6145-55	6215-20
Previous	6175-85	6240-50
High/low	6175/6170	6240/6200
AM Official	6165-70	6230-35
Kerb close		6220-30
Open int.	16,680	
Total daily turnover	3,881	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1023-24	1042-43
Previous	1032-33	1050-51
High/low	1024	1047/1041
AM Official	1023-23.5	1042-42.5
Kerb close		1046-47
Open int.	78,509	
Total daily turnover	34,210	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2530-32	2492-93
Previous	2535.5-37.5	2498-99
High/low	2530/2528	2502/2487
AM Official	2530-31	2493-94
Kerb close		2495-96
Open int.	169,577	
Total daily turnover	50,318	

■ LME AM Official £/$ rate: 1.5405
LME Closing £/$ rate: 1.5397

■ HIGH GRADE COPPER (COMEX)

PRECIOUS METALS

■ LONDON BULLION MARKET

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int.
Feb	398.3	-1.0	399.9	398.5	86	80
Apr	399.6	-1.0	401.7	398.7	21,416	116,173

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	118.75	-0.25	119.15	118.75	59	421
May	121.05	-0.40	121.50	121.05	60	3,604

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	886	-5	892	884	2,939	6,192
May	916	-4	918	908	2,890	24,315

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

■ CRB Futures (Base: 1967=100)

■ GSCI Spot (Base: 1970=100)

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	65.025	-0.750	65.475	64.675	11,123	33,283
Jun	63.350	-0.350	63.475	63.075	6,367	21,329

■ LIVE HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lbs)

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

■ COPPER (Grade A) LME

■ COFFEE LCE

■ COCOA LCE

■ BRENT CRUDE IPE

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)

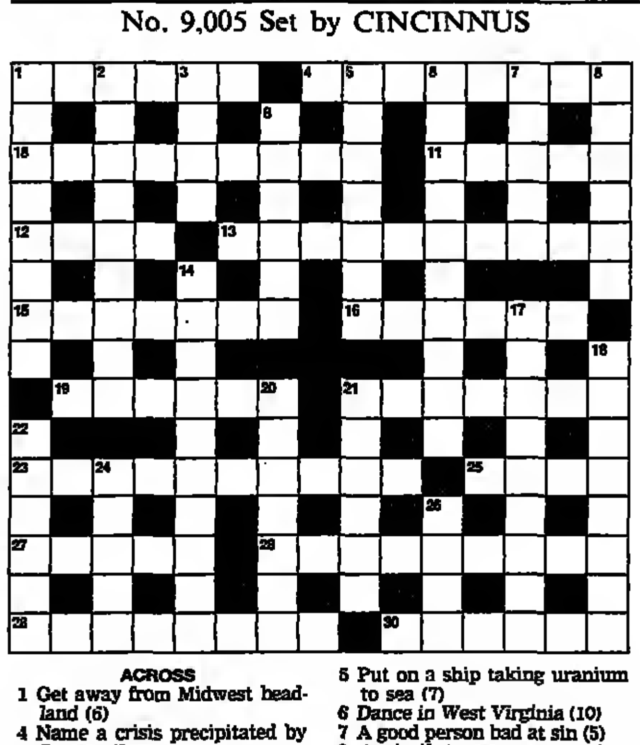
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

■ OTHER

JOTTER PAD

CROSSWORD

No. 9,005 Set by CINCINNUS



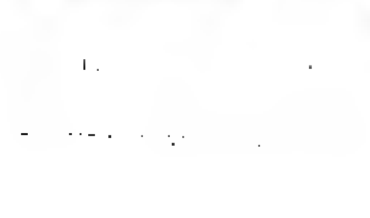
ACROSS

1 Get away from Midwest headland (6)
4 Name a crisis precipitated by flowers (8)
10 Always set off at any rate (9)
11 Getting old drink in silver container (5)
12 Game backlash (4)
13 Transport manuscript about the best of White Friars (10)
15 Clearing in trees made by logger? (7)
16 Talk about not completing field event (6)
19 Swiss city information supplied by girl (6)
21 An arresting person in Cork? (7)
23 Follower goes without sleep, following Henry VI (4,1,5)
25 Press club (4)
27 Secretion from small fruit (5)
28 A small child, a small fragment, a small insect – together they're significant (9)
29 Show record (8)
30 Pin left to prosper (2,4)

DOWN

1 Cryptic clue goes in pastoral poetry (8)
2 Mulled claret, hot and sweet? (9)
3 Ruth, a mine leadar from Yorkshire (4)
5 Put on a ship taking uranium to sea (7)
6 Dance in West Virginia (10)
7 A good person bad at sin (5)
8 Assimilate some catering establishments (6)
9 Harry has to accommodate artists (6)
14 Vessels found in coal seams? (4-6)
17 Pep pill event in capital (5,4)
18 Parental changes before birth (8)
20 Notice a wild flower (7)
21 Cleaners cry on board (6)
22 A horse for tha engraver (6)
24 Not atanding for mendacity (5)
26 A river in the far north (4)

Solution 9,004



Tory victory lifts gilt prices ahead of auction

By Antonia Sharpe and Semer Iskandar in London and Lisa Bransten in New York

The government's victory in the Scott report debate in parliament late on Monday sent UK gilts higher yesterday, creating a favourable environment for today's £3bn auction of long-dated stock.

Dealers reported good buying by domestic institutions of the 8 per cent gilt due 2021 in "when issued" form, and of other long-dated gilts. "Extension" trades out of 10-year gilts have enabled the long end of the yield curve to outperform the 10-year area by about 10 basis points since the auction was announced last week.

Analysts do not expect much interest from foreign investors because the maturity of the stock is too long. But domestic institutions have made clear their demand for long-dated paper, especially a new 25-year benchmark.

The market will be disappointed if the auction is less than 1½ times covered and if the tail (the difference between the highest and the average accepted yield) is longer than 2 to 3 basis points. Yesterday, the "when issued" 2021 gilt was trading at about 98⅞, yielding 8.14 per cent.

Mr Don Smith of HSBC Markets said the stronger gilts market and the weaker tone in Germany had enabled the yield spread to come in to about 163 basis points from 166 points the day before, but that gilts were still fighting the negative direction in overseas markets.

Mr James Barty of Deutsche Morgan Grenfell said the gilts market had held its ground but was in an uncertain phase. Economic data had been supportive but the next move could be downwards.

On Liffe, the March contract of the long gilt future stood 7/32 higher in the afternoon at 106 27/32 in volume of 60,000 contracts.

■ Mixed signals on the economy kept US Treasury prices on their downward trajectory.

Bonds gained in early trading on weaker than expected January producer prices, but slumped at mid-morning after the Conference Board said its index of consumer confidence jumped in February.

GOVERNMENT BONDS

Near midday, the benchmark 30-year Treasury bond was down 5/32 at 93 27/32 to yield 6.457 per cent and the two-year note was ¼ lower at 99 7/32, yielding 5.222 per cent.

Fears about inflation eased after the Commerce Department said its producer price index was just 0.3 per cent higher, and 0.1 per cent lower excluding the volatile food and energy components.

But shorter-term bonds were hurt by the rise in consumer confidence, which added to the growing consensus that economic activity is rising and the Federal Reserve might not cut rates at next month's Open Market Committee meeting.

Mr Edgar Fiedler, an economic counsellor at the Conference Board, attributed January's decline to one-time factors such as the blizzards and the government shutdown, and added that he believed consumers remained "tentative" about the economy.

Also weighing on short-term note prices was new supply set to come on to the market after an afternoon auction of $18.25bn in two-year notes.

■ German government bonds failed to break free from US dominance. Bunds followed Treasuries closely throughout the day, ignoring the publication of February CPI data for the state of North-Rhine Westphalia.

After trading in a narrow range, the 10-year bund contract on Liffe closed at 96.90, up 0.20.

However, the 10-year spread between bunds and Treasuries tightened from 30 basis points to 28 basis points, despite investors' persistent concerns over the future of European monetary union.

Uncertainty was further exacerbated by comments by Mr Klaus Kinkel, the German foreign minister, that he was "convinced that between three and four countries can and will be there at the start".

These comments have come at a time when market participants are being increasingly destabilised by conflicting declarations by European leaders.

"In spite of the uncertainty, I still recommend intermediate-term bunds over the higher-yielding Spanish and Italian markets, which are still subject to volatility of political origin", one London investment adviser said.

■ French OATs also lacked inspiration and tracked foreign markets. The March contract of Matif's 10-year government bond future ended an edgy session at 120.42, down 0.20 from Monday's close.

Uncertainty over this year's social security deficit weighed on the market, as a majority of observers still expect it to overshoot the government's target of FFr17bn. But sentiment was buoyed by expectations of further weakness in consumer spending, prompting future rate cuts.

■ The Spanish market was cheered by opinion polls giving the opposition Popular Party an 8 to 11-point lead in Sunday's general election. However, a late surge in prices was mostly attributed to expectations of rate cuts next week. In the futures market, the March 10-year Bono futures contract closed at 95.64, up from 94.81 on Monday.

Five-year options on IDBI facility

By Antonia Sharpe

The Industrial Development Bank of India is raising $150m through a syndicated loan arranged by Australia and New Zealand Banking Group.

Although the facility has a seven-year maturity, it incorporates five-year call and put options, which give either the borrower or the lenders the option to cancel their commitment after five years.

SYNDICATED LOANS

The IDBI had to seek a special exemption from a government rule that requires offshore loans of more than $15m to carry maturities of at least seven years.

ANZ said that the annual yield on the IDBI's loan is 70 basis points over London interbank offered rate (Libor), which compares with 56 basis points on a recent facility for India's Oil and Natural Gas Corporation.

The higher yield reflects the greater frequency of the IDBI's borrowing in the international capital markets and caution ahead of India's elections in April.

ANZ has formed a co-arranging group comprising Development Bank of Singapore, DG Bank, Kredietbank and Fuji Bank.

The loan has been sub-underwritten by the five banks and will be launched into general syndication this week.

● A2000, the Dutch cable television company which owns Amsterdam's entire cable TV system, has signed a Fl475m ($300m) 10-year credit facility with the Dutch bank ABN Amro. The facility will be used to finance A2000's plans to build up its network in Amsterdam and surrounding areas.

ABN, which did not syndicate the loan, declined to comment on pricing. A2000 is a 50-50 joint venture between Philips, the Dutch electronics group, and US West, the US based telephone company.

Callable global by Freddie Mac

By Conner Middelmann

Primary activity in the eurobond market picked up slightly yesterday, although sentiment remained subdued as underlying government bond markets continued to trade nervously.

In the US dollar sector, the US Federal Home Loan Mortgage Corporation (Freddie Mac) issued $500m of five-year global bonds, callable after two years and yielding 44 basis points over Treasuries at the re-offer price. According to lead managers Goldman Sachs and Merrill Lynch, the bonds are a defensive investment at times of market uncertainty.

"Callable bonds make most sense in a bearish environment," one syndicate manager said, because borrowers are unlikely to call their issues at times of rising interest rates. Investors receive a higher yield reflecting the call option, at a low risk of early redemption. "Investors can take advantage of the structure to get extra yield," he said.

But while the lead managers were confident of significant European placement, others were sceptical.

INTERNATIONAL BONDS

"Many European investors are still not that comfortable with callable bonds, and most are sitting on the sidelines anyway because the markets are so volatile," one dealer said.

Another US agency, the Student Loan Marketing Corporation (Sallie Mae), launched $1.5bn of asset-backed global floating-rate notes – another defensive investment amid interest-rate uncertainty – which are to be priced today.

Lead manager Goldman Sachs said it had built up a substantial book of orders from non-US investors, especially in the UK and Asia.

A $100m offering for Sociedad Comercial del Plata, the Argentine conglomerate with interests in energy, public services and entertainment, was a success, thanks to the short maturity and attractive yield spread over US Treasuries.

"At 560 basis points over Treasuries for two years, you can have a lot of volatility and still come out ahead," said one dealer.

Book-runner Paribas said the deal was substantially oversubscribed and placed among European - especially Swiss – retail investors, as well as some US institutions.

Philip Morris also targeted Swiss retail investors with a DM250m offering of 6.5 per cent seven-year bonds. However, the 40 basis point re-offer spread widened sharply after the bonds were freed to trade. CSFB Effectenbank blamed this on the underlying bund market's volatility, but other dealers said the pricing was too aggressive and that the seven-year maturity was too long for most retail investors. According to CSFB, the spread closed at 47 basis points over bunds while others said it rose above 50 basis points.

● The state-owned Indian Railway Finance Corporation has mandated ANZ Grindlays Bank to lead a seven-year $50m FRN issue before the end of March – the IRFC's first international bond offering.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Sallie Mae SLT 1996 Sre 1(a)‡	874	(a)	(a)	(a)	0.25	(a)	Goldman Sachs
SCP•	100	10.75	99.95R	Mar 1998	1.00R	+560(5⅝%-98)	Banque Paribas
Fed Home Loan Mtge(f)	500	5.99	100.00R	Mar 2001	0.25R	+44(5¼%-01)	Goldman Sachs/Merrill
D-MARKS							
Philip Morris Capital	250	6.50	99.58R	Mar 2003	0.35R	+40(7½%-03)	CSFB-Effectenbank
YEN							
EBRD•‡(b)	16bn	6.60	100.00	Mar 1998	undiscl	-	Wako International
SWISS FRANCS							
Banco-Inter Atlantico†	75	7.63	99.42R	Mar 1999	STD	-	Credit Agricole
Helaba Finance(e)	100	3.75	102.25	Dec 2000	2.00	-	Credit Suisse
PORTUGUESE ESCUDOS							
Instituto de Credito Oficial‡	20bn	(c)	100.00	Mar 1999	0.15	-	Banco Central/Banco CISF
LUXEMBOURG FRANCS							
ASLK-CGER Bank‡	2bn	5.50	101.80	May 2000	1.63	-	Banque UCL/ASLK-CGER
ITALIAN LIRE							
Commerzbank‡	150bn	(d)	100.32	Mar 2001	0.35	-	BCI

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. ‡Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Sallie Mae Student Loan Trust. To be priced today. Tranche A1: [illegible] Expected life 2.41yrs. Tranche A2: To be priced today. $473.5m. Indicated around +75bp. Expected life 7yrs. Class B certificates:$52.5m. b) Redemption in Australian dollars. Issued off EMTN programme. c) 6-mth Libor -12.5bp. d) 3-mth Libor [illegible] 1.60. e) Fungible with CHf500m. Plus 90 days accrued. f) Callable after 2yrs.‡) Long 1st coupon.

CBOT-CME committee endorses merger as goal

By Richard Lapper

A committee formed to discuss joint strategic initiatives by Chicago's two derivatives exchanges held its first meeting yesterday and endorsed the ultimate merger of the two markets, the world's biggest, as a "desirable goal".

The Chicago Board of Trade and the Chicago Mercantile Exchange, which have been fierce rivals, have agreed to discuss co-operation including a possible merger.

Mr Jack Sandner, chairman of the CME and co-chairman of the joint strategic initiative, said he was "more confident than ever that we will be able to overcome any problem or challenge that we might make on our difficult journey."

Mr Pat Arbor, his opposite number at the CBOT and fellow co-chairman, said the committee would examine "critical areas that have the potential for some community of purpose that ultimately would benefit our members, member firms and other users of our markets. I am optimistic their efforts will be productive."

The committee said talks would include progress on shorter term measures, focusing on clearing, technology, marketing, regulation, market data, electronic trading and member opportunity.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	108.4400	-	8.72	8.34	8.19
Austria		6.125	02/05	96.4000	-0.170	6.63	6.81	6.11
Belgium		7.000	05/06	100.7100	+0.220	6.90	6.89	6.30
Canada *		8.750	12/05	108.4000	+0.270	7.52	7.38	6.99
Denmark		8.000	03/06	102.0000	-0.300	7.71	7.62	6.88
France	BTAN	7.000	10/00	104.8750	+0.130	5.77	5.83	5.37
	OAT	7.250	03/06	103.6300	-0.020	6.74	6.78	6.31
Germany Bund		8.000	01/06	96.9500	+0.080	6.42	6.39	5.79
Ireland		8.000	08/06	100.6500	+0.050	7.89	7.87	7.22
Italy		10.500	09/05	100.3100	+0.130	10.45†	10.74	8.90
Japan	No 129	6.400	03/00	115.9090	-0.030	2.13	2.00	1.89
	No 174	4.600	09/04	109.3580	+0.070	3.21	3.08	2.92
Netherlands		6.000	01/06	97.0800	+0.200	6.41	6.43	5.77
Portugal		11.875	02/05	113.4000	+0.100	9.58	9.49	9.21
Spain		10.150	01/06	102.5800	+0.780	9.71	9.95	9.28
Sweden		8.000	02/05	82.7780	+0.580	8.87	8.99	7.92
UK Gilts		8.000	12/00	103-03	+4/32	7.21	7.17	6.55
		7.500	12/06	96-22	+4/32	7.98	7.88	7.24
		9.000	10/08	107-07	+6/32	8.07	8.03	7.42
US Treasury *		5.625	02/06	96-27	-2/32	6.05	5.89	5.54
		6.000	02/26	93-27	+6/32	6.47	6.31	5.98
ECU (French Govt)		7.500	04/05	101.7000	+0.080	7.23	7.24	6.64

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest — Treasury Bills and Bond Yields

		One month	4.97	Two year	5.22
Prime rate	8¼	Two month	4.97	Three year	5.38
Broker loan rate	7	Three month	5.01	Five year	5.60
Fed.funds	5⅜	Six month	5.02	10-year	6.04
Fed.funds at intervention	-	One year	5.09	30-year	6.45

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	120.50	120.42	-0.02	120.66	120.26	170,059	153,499
Jun	120.62	120.48	-0.04	120.68	120.36	2,264	23,091
Sep	119.46	119.32	-0.04	119.46	119.30	52	2,418

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
119	-	-	-	-	-	-
120	-	-	-	-	-	-
121	-	-	-	-	-	-
122	-	-	-	-	-	-
123	-	-	-	-	-	-

Est. vol. total, Calls 17,536 Puts 21,684. Previous day's open int., Calls 218,756 Puts 217,749.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.94	96.92	+0.22	97.02	96.44	239304	160111
Jun	96.13	96.12	+0.23	96.18	95.60	31422	110095

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
9600	0.63	1.09	1.29	1.30	0.71	0.97	1.17	2.01
9650	0.57	0.83	1.03	1.10	0.95	1.21	1.41	2.31
9700	0.37	0.62	0.81	0.92	1.25	1.50	1.69	2.63

Est. vol. total, Calls 31997 Puts 19569. Previous day's open int., Calls 212214 Puts 124459

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	109.15	109.50	+0.60	109.80	108.86	51603	42988
Jun	108.70	109.11	+0.63	109.20	108.50	6903	12047

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
10900	2.14	2.73	2.03	3.01
10950	1.86	2.50	2.27	3.28
11000	1.64	2.28	2.53	3.56

Est. vol. total, Calls 1840 Puts 3644. Previous day's open int., Calls 44793 Puts 39264

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	94.90	95.64	+0.83	95.69	94.81	69,493	43,591
Jun	95.07	95.25	+0.52	95.29	95.05	1,879	5,438

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	106-24	106-27	+0-07	106-30	106-18	79462	103433
Jun	106-04	106-05	+0-07	106-08	105-26	22198	49200

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
106	1-02	1-30	1-51	2-11	0-56	1-20	1-41	2-45
107	0-37	1-00	1-20	1-48	1-27	1-54	2-10	3-18
108	0-18	0-41	0-59	1-25	2-08	2-31	2-49	3-59

Est. vol. total, Calls 1602 Puts 987. Previous day's open int., Calls 27798 Puts 23431

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	89.06	89.10	+0.08	89.30	88.80	2,510	7,945

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	115-09	114-25	-0-17	115-22	114-25	413,883	288,193
Jun	114-25	114-09	-0-17	115-06	114-09	81,326	134,569
Sep	114-14	114-07	-	114-15	113-24	1,619	11,972

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	118.50			118.64	118.48	1368	0
Jun	117.01			117.18	117.01	3821	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Feb 27	Day's change %	Mon Feb 26	Accrued interest	xd adj. ytd		Low coupon yield Feb 27	Feb 26	Yr. ago	Medium coupon yield Feb 27	Feb 26	Yr. ago	High coupon yield Feb 27	Feb 26	Yr. ago
1 Up to 5 years (23)	122.05	+0.04	122.00	1.98	1.58	5 yrs	7.32	7.32	8.60	7.36	7.37	8.62	7.45	7.46	8.78
2 5-15 years (20)	147.06	+0.09	146.93	3.13	0.78	15 yrs	8.15	8.18	8.52	8.16	8.17	8.63	8.27	8.29	8.84
3 Over 15 years (8)	160.09	+0.12	159.90	2.24	2.41	20 yrs	8.24	8.25	8.47	8.24	8.25	8.63	8.33	8.35	8.74
4 Irredeemables (6)	183.91	-0.04	183.98	3.57	0.00	Irred.†	8.29	8.29	8.52						
5 All stocks (57)	141.98	+0.07	141.87	2.57	1.37										

Index-linked							Inflation 5% Feb 27	Feb 26	Yr. ago	Inflation 10% Feb 27	Feb 26	Yr. ago
6 Up to 5 years (1)	196.95	+0.01	196.94	3.01	0.00	Up to 5 yrs	2.71	2.70	3.69	1.41	1.40	2.32
7 Over 5 years (11)	184.94	-0.06	185.05	1.03	0.63	Over 5 yrs	3.72	3.71	3.89	3.51	3.50	3.70
8 All stocks (12)	185.08	-0.06	185.19	1.07	0.62							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 27	Feb 26	Feb 23	Feb 22	Feb 21	Yr ago	High*	Low*
Govt. Secs. (UK)	93.13	93.08	93.65	93.65	93.63	91.12	96.34	90.22
Fixed Interest	112.15	112.28	112.68	112.35	112.27	109.80	115.23	108.77

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Feb 26	Feb 23	Feb 22	Feb 21	Feb 20
Gilt Edged bargains	120.5	93.1	104.6	110.4	100.1
5-day average	103.7	98.8	99.2	98.7	97.2

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on February 27

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1500	100½	100⅞	-¼	6.41
ABN Amro Bank 7¼ 00	1500	104¼	104⅝	-¼	6.74
African Dev Bk 7¾ 23	500	101¼	101¾	-⅛	7.27
Alberta Province 7⅞ 03	1000	104⅞	105⅛	-¼	5.60
Asian Dev Bank 6¼ 00	750	99¼	99½	-⅝	6.45
Austria 8½ 00	400	109⅛	109½	-¼	5.82
Baden-Wuert L-Fin 8⅛ 00	1500	107¾	108	-⅛	5.85
Bank Ned Gemeenten 7 99	1500	104	104¼	-⅛	5.69
Bayer Vereinsbk 6⅛ 00	500	107½	107¾	-⅛	5.92
Belgium 5½ 00	1000	95⅛	95⅜	-⅛	6.31
BFCE 7¾ 97	150	102¼	102½		5.42
British Columbia 7¾ 02	500	108¼	108½		8.12
British Gas 0 21	1500	14⅛	14½	-⅛	7.92
Canada 6⅜ 00	1500	99¾	99⅞	-⅛	6.51
Canada 6½ 97	2000	101½	101⅝	-⅛	5.30
Cheung Kong Fin 5½ 98	500	97⅛	97⅝		6.73
China 6½ 04	1000	95⅛	95⅝	-⅛	7.27
Credit Foncier 9½ 99	500	110⅛	110½	-⅛	5.72
Denmark 5¾ 98	1500	100¾	101		5.34
East Japan Railway 6⅝ 04	600	100⅝	100⅞	-⅛	6.52
EIB 6 04	500	98⅛	98½	-⅛	6.28
EIB 9¼ 97	1000	109¼	109½	-⅛	5.31
Elec de France 9 98	200	106⅝	107		5.49
Ex-Im Bank Japan 8 02	500	109⅜	109⅝	-⅛	6.14
Export Dev Corp 9½ 98	150	108⅛	108⅝		5.61
Fed Home Loan 7⅛ 99	1500	104⅜	104⅞	-⅛	5.65
Federal Natl Mort 7.40 04	1500	107¼	107½	-⅛	6.37
Finland 6¾ 97	3000	102⅜	102½	-⅛	5.37
Ford Motor Credit 6¼ 98	1500	101¼	101½	-⅛	5.66
Ind Bk Japan Fin 7⅞ 97	200	102⅜	102⅝		5.63
INI Finance 5¼ 98	650	99	99¼	-⅛	5.84
Inter-Amer Dev 7½ 05	500	107	107¼	-⅛	6.46
Intl Finance 5¼ 98	500	99½	99⅞	-⅛	5.44
Italy 8 08	2000	97⅞	97⅝	-⅛	6.55
Italy 6⅞ 23	3500	91⅞	92¼		7.72
Japan Dev Bk 8⅜ 01	500	110⅛	110⅜	-⅛	5.98
Korea Elec Power 6⅜ 03	1350	98	98⅜	-⅛	6.82
Matsushita Elec 7¼ 02	1000	105½	105¾	-⅛	6.29
Norway 7¼ 97	1000	102	102⅛	+⅛	5.36
Ontario 7⅜ 03	3000	108	108⅛	-⅛	6.39
Oster Kontrollbank 8½ 01	200	110¾	111	-⅛	5.98
Portugal 5¾ 03	1000	96⅞	97⅛	-⅛	6.37
Quebec Hydro 9¾ 98	150	108⅞	109¼		5.92
[illegible]					
Sweden 8 97	2500	105¼	105⅜		4.07
United Kingdom 7¼ 97	5500	105	105⅛		3.85
Volkswagen Intl Fin 7 00	1500	102	102⅜	-⅛	6.64
World Bank 0 15	2000	28⅜	28	-⅛	6.56
World Bank 5⅞ 08	3000	93	98⅛	+⅛	6.20
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 18	500	34¾	35	-¼	5.44
Austria 4½ 00	1000	104½	104¾	-¼	3.27
Council Europe 4¾ 98	250	103¾	104¼	+¼	2.77
Denmark 4¼ 99	1000	104	104¼	-¼	3.05
EIB 3¾ 99	1500	103	103¼	-⅛	2.67
EIB 6¾ 04	300	112⅞			4.95
Finland 7¼ 99	500	112⅞			3.53
Iceland 7⅞ 00	100	112½	113	-¼	4.44
Inter Amer Dev 4¼ 00	600	102½	102¾	-⅛	4.35
Ontario 6¼ 03	400	109¼	110½	-⅛	4.65
Quebec Hydro 5 08	100	100	101		5.00
SNCF 7 04	450	116½	117½	-⅛	4.63
Sweden 4¾ 08	500	102¼	102¾		4.39
World Bank 0 21	700	25¼	25¾	-½	5.49
World Bank 7 01	600	113½	114½		3.98
YEN STRAIGHTS					
Belgium 5 99	75000	109⅝	109⅞		2.32
Credit Foncier 4¾ 02	75000	101¾	102¼	+⅛	4.43
EIB 6⅝ 00	100000	116⅛	116⅝		2.40
Ex-Im Bank Japan 4⅜ 00	105000	107¼	107½		3.28
Inter Amer Dev 7¼ 00	30000	119⅛	119⅜		2.42
Italy 3½ 01	300000	102¼	102⅝	+⅛	3.05
Italy 5 04	200000	110	110¼	+⅛	3.65
Japan Dev Bk 5 99	100000	109⅞	110		2.11
Japan Dev Bk 6½ 01	120000	118⅝	118¾		2.83
SNCF 8¾ 00	30000	116¼	116½	-⅛	2.45
Spain 5¾ 02	125000	114⅞	115⅛	-⅛	3.03
Sweden 4⅝ 98	150000	105¾	105⅞		1.58
World Bank 5¼ 02	250000	113	113⅛		2.91
OTHER STRAIGHTS					
Finland 9 04 LFr	5000	107	108		6.86
Genfinance Lux 9⅛ 98 LFr	1000	109½			6.05
IKB Deut Industbk 8½ 03 LFr	3000	107	108		7.17
ABN Amro 6⅝ 00 Fl	1000	104¼	104⅝		5.44
[illegible]					
Abbey Natl Treasury 8 00 £	1500	99	99¼		8.19
Alliance Leics 11⅜ 97 £	100	105⅜	105⅝	+⅛	6.51
British Land 8⅞ 23 £	150	89⅜	90	+⅛	10.27
Denmark 6¾ 98 £	800	99½	99¾		6.98
EIB 6 08 £	1000	100	100¼		7.99
Halifax 10⅜ 97 £	100	103¾	104		6.44
Hanson 10⅜ 97 £	500	105	105¼		7.00
HSBC Holdings 11.69 02 £	153	115¼	115⅝		8.49
Italy 10½ 14 £	400	110	110⅜		9.33
Japan Dev Bk 7 00 £	200	98½	98¾	-⅛	7.38
Land Secs 9½ 07 £	200	103⅛	103½	+⅛	9.04
Ontario 11⅛ 01 £	100	112¾	113⅛	-⅛	7.82
Powergen 8⅞ 03 £	250	102⅝	102⅞	+⅛	8.36
Severn Trent 11½ 99 £	150	111⅞	111⅝	+⅛	7.52
Tokyo Elec Power 11 01 £	150	113⅛	113⅜		7.85
TCNZ Fin 9¼ 02 NZ$	75	105⅝	106⅛	-¼	8.17
World Bank 12½ 97 NZ$	250	105⅛	105⅜		8.64
Credit Local 6 01 FFr	7000	98⅞	99⅛	-⅛	6.23
Elec de France 8¾ 22 FFr	3000	113	113½	-⅛	7.59
SNCF 9¼ 97 FFr	4000	104⅝	105		4.90

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury -1/16 99	1000	99.83	99.90	5.7500
Bankamerica ⅛ 99	750	99.82	99.92	5.9375
Belgium 1/16 97 DM	500			3.4375
Canada -⅛ 99	2000	99.50	99.57	5.0547
CCCE 0 00 Ecu	200	99.46	99.61	4.8250
Commerzbk O/S Fin -⅛ 98	750	99.71	99.79	5.1250
Credit Lyonnais 1/16 00	300	97.86	98.23	5.5000
Credit Lyonnais 0.30 98	1250	100.04	100.13	5.7414
Denmark -⅛ 97	1000	100.00	100.05	5.6875
Dresdner Finance 1/32 98 DM	1000	100.09	100.09	3.4688
Ferro del Stat 0.10 97	420	100.08	100.23	5.7500
Finland 0 97	1000	100.14	100.20	5.4492
Finland -⅛ 99	1500	99.75	99.82	5.1875
IMI Bank Intl ¼ 99	500	100.17	100.27	5.5000
Italy 1/16 99	1500	99.93	100.00	5.5625
Italy ¼ 98	2000	100.07	100.15	5.9375
LKB Baden-Wuert Fin -⅛ 98	1000	99.92	99.98	5.6875
Lloyds Bank Perp S 0.10	600	82.30	83.15	5.3500
Malaysia 1/16 08	650	99.70	99.94	6.0000
[illegible]				

DEUTSCHE MARK STRAIGHTS

[illegible]

CONVERTIBLE BONDS

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. prem=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Shorts (Lives up to Five Years) — Five to Fifteen Years — Over Fifteen Years — Undated — Index-Linked — Other Fixed Interest

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for June 1995: 149.8 and for January 1996: 150.2.

■ 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

CURRENCIES AND MONEY

MARKETS REPORT

Dollar rebounds on talk of central bank support

By Graham Bowley

Rumours of central bank intervention swept through foreign exchange markets yesterday helping the dollar to rebound after earlier weakness.

The dollar's recovery undermined the D-Mark, causing it to weaken against most other European currencies. Its decline wos most marked against the Italian lira and Swedish krona.

Data showing subdued US producer price inflatioo and a drop in US retail sales helped settle US Treasury bond prices after recent turbulence, lending further support to the dollar's revival. A dowowards revision to December German industrial production to show very little improvemeot in activity at the end of last year also gave a boost to the dollar at the expense of the D-Mark, analysts said.

Sterling managed to hold on to some of its gains following the UK governmeut's narrow victory in the vote on the Scott Report on arms to Iraq. But dealers said the government's political troubles continued to act as a drag on the pound.

Sterliog finished strooger against the D-Mark at DM2.2359, from DM2.2285 at the previous close. Against the dollar, it closed weaker at $1.539 from $1.540.

The dollar finished in Europe at Y104.5050 from Y104.27, and at DM1.4528 from DM1.4471.

The Italian lira closed at L1,066 from L1,076 against the D-Mark. The Swedish krona finished at SKr4.602 from SKr4.654 against the D-Mark.

■ The dollar and the yen were once again at the centre of market activity yesterday, with the dollar recovering in spite of the growing chorus of dollar bears.

There were wideapread rumours that the US currency'o rebound was down to central bank interventioo with the Bank of Japan and the Bank of England touted as the big buyers of dollars for yen.

But some analysts said market seotimeot had turoed against the dollar and that its recovery was likely to prove only temporary.

Mr David Brown, chief Europeao economist at Bear Stearns in Loodon, said: "The mood has definitely turned negative. We are at key levels here." He said that without interveotion the dollar could have moved below Y100 against the yen.

He said that technical factors due to the end of the Japanese financial yaar, traditionally associated with the repatriation of Japanese investment flows back to Japan, meant there were currently heavy downward pressures on the dollar.

Mr Malcolm Barr, currency analyst at Chemical Bank in London, said that many *long-term* investors had "swallowed the weaker yeo story" that enjoyed widespread support at the beginning of this year but that "the pieces of that story have so far failed to fall into plsce". As a result, "the dollar is looking heavy at the moment," he said.

■ The Italian lira and Swedish krooa made strong gains against the D-Mark.

Analysts said that signs that Mr Lamberto Dini, Italy's outgoing technocrat prime minister, cootioued to command popular support from the Italian electorate was helping the currency on the prospect that he might help bring stability to a new government.

An opinioo poll showed that the prime minister's new party would get 8.5 per ceot of Italian votes in the electioo on April 21.

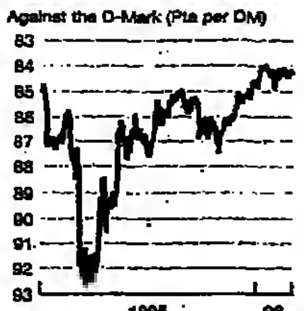
Mr Tony Norfield, UK treasury economist at ABN Amro in Loodon, said that the D-Mark's weakness was due to growing coocerns about cootradictions in the German governmeot's policy towards European mooetary union.

He said Germany's high debt to GDP ratio meant that the country was unlikely to meet the Maastricht criteria, yet at the same time the government was saying that the criteria would not be watered down.

"We are seeing an interesting picture building up here with many foreign investors seeing risks in German policy," be said.

■ The Spaoish peseta made less headway against the D-Mark than the lira but dealers aaid demand for the peseta was strong ahead of the elections at the weekend.

Mr Norfield said there was evidence that the Bank of Spain was buying D-Marks for pesetas in order to huild up its foreign exchanges and to keep the peseta stable ahead of the elections.



Source: FT Extel

■ Pound in New York

Feb 27	Latest	Prev. close
£ spot	1.5400	1.5410
1 mth	1.5389	1.5398
3 mth	1.5377	1.5377
1 yr	1.5257	1.5252

■ OTHER CURRENCIES

Feb 27	£	$
Czech Rp	41.4703 - 41.5126	26.9550 - 26.9650
Hungary	217.032 - 211.300	141.100 - 141.150
Iran	4618.50 - 4615.50	3000.00 - 3000.00
Kuwait	0.4582 - 0.4592	0.2978 - 0.2983
Poland	3.9093 - 3.9149	2.5410 - 2.5430
Russia	7441.94 - 7441.72	4834.00 - 4637.00
U.A.E.	5.6501 - 5.6546	3.6725 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Feb 27		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7249	+0.0504	159 - 338	15.7473	15.6963	15.6949	2.3	15.0124	2.8	-	-	108.2
Belgium	(BFr)	45.9777	+0.1434	550 - 003	46.1100	45.9430	45.8727	2.7	45.6727	2.7	44.8127	2.5	108.5
Denmark	(DKr)	8.6446	+0.0293	394 - 497	8.6565	8.6362	8.6226	1.7	8.6125	1.5	8.5064	1.8	109.4
Finland	(FM)	6.9352	-0.0293	284 - 420	6.9540	6.9290	6.9308	0.8	6.9227	0.7	-	-	84.4
France	(FFr)	7.6600	+0.0218	763 - 836	7.6965	7.5693	7.6678	1.9	7.6486	1.6	7.5893	1.4	109.6
Germany	(DM)	2.2359	+0.0074	347 - 370	2.2406	2.2224	2.2309	2.7	2.221	2.7	2.1788	2.6	110.4
Greece	(Dr)	367.744	-0.205	271 - 218	370.857	366.734	-	-	-	-	-	-	66.4
Ireland	(I£)	0.9705	-0.0019	695 - 714	0.9714	0.9677	0.9696	1.2	0.9681	1.0	0.9641	0.7	97.4
Italy	(L)	2383.91	-14.56	237 - 546	2404.86	2383.15	2391.46	-3.8	2407.11	-3.9	2465.96	-3.4	73.7
Luxembourg	(LFr)	45.9777	+0.1434	550 - 003	46.1100	45.9430	45.9727	2.7	45.6727	2.7	44.8127	2.5	108.5
Netherlands	(Fl)	2.5038	+0.008	022 - 054	2.5105	2.5002	2.4977	2.9	2.4855	2.9	2.4373	2.7	108.7
Norway	(NKr)	9.7165	+0.0198	507 - 683	9.7787	9.6998	9.7505	1.0	9.737	0.8	9.6764	0.8	96.3
Portugal	(Es)	232.566	+0.786	390 - 742	234.494	232.312	232.991	-2.2	233.896	-2.3	-	-	95.3
Spain	(Pta)	188.329	-0.531	189 - 468	188.664	188.172	188.748	-2.7	189.603	-2.7	192.683	-2.3	82.2
Sweden	(SKr)	10.2864	-0.0687	751 - 974	10.4079	10.2679	10.2978	-0.2	10.2908	-0.2	10.2992	-0.1	87.3
Switzerland	(SFr)	1.8207	-0.0082	193 - 220	1.8220	1.8161	1.8141	4.3	1.8008	4.4	1.7491	3.9	114.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.2
Ecu	-	1.2113	-0.0023	106 - 120	1.2192	1.2099	1.2099	1.4	1.2072	1.3	1.1953	1.3	-
SDR†	-	1.043700	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5388	-0.0006	382 - 393	1.5441	1.5377	-	-	-	-	-	-	-
Brazil	(R$)	1.5139	-	131 - 146	1.5179	1.5123	-	-	-	-	-	-	-
Canada	(C$)	2.1145	-0.0057	134 - 156	2.1211	2.1134	2.1126	0.9	2.1101	0.9	2.1002	0.7	83.5
Mexico	(New Peso)	11.6941	-0.0093	926 - 155	11.6440	11.5926	-	-	-	-	-	-	-
USA	($)	1.5390	-0.001	385 - 395	1.5443	1.5377	1.5378	0.9	1.5357	0.6	1.5242	1.0	94.9
Pacific/Middle East/Africa													
Australia	(A$)	2.0278	-0.0072	265 - 291	2.0357	2.0264	2.0297	-1.1	2.0345	-1.3	2.0578	-1.5	88.1
Hong Kong	(HK$)	11.8988	+0.0081	945 - 030	11.8393	11.8884	11.8883	1.1	11.876	0.9	11.8309	0.6	-
India	(Rs)	54.7038	-0.5728	475 - 600	55.3370	54.6475	-	-	-	-	-	-	-
Israel	(Shk)	4.7779	+0.0061	727 - 831	4.7981	4.7727	-	-	-	-	-	-	-
Japan	(Y)	160.833	+0.282	743 - 924	161.260	159.370	160.098	5.7	158.576	5.9	152.685	5.1	138.3
Malaysia	(M$)	3.9303	+0.0023	183 - 323	3.9206	3.9162	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2846	-0.0098	830 - 862	2.2924	2.2766	2.2864	-2.0	2.3016	-3.0	2.3354	-2.2	104.9
Philippines	(Peso)	40.3295	-0.0095	010 - 580	40.3580	40.3010	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7721	-0.0035	700 - 742	5.7917	5.7675	-	-	-	-	-	-	-
Singapore	(S$)	2.1674	+0.0022	659 - 688	2.1728	2.1654	-	-	-	-	-	-	-
South Africa	(R)	5.8859	-0.0021	801 - 817	5.8136	5.8801	-	-	-	-	-	-	-
South Korea	(Won)	1199.19	-1.88	865 - 973	1203.16	1198.33	-	-	-	-	-	-	-
Taiwan	(T$)	42.3164	-0.0269	980 - 347	42.4605	42.2852	-	-	-	-	-	-	-
Thailand	(Bt)	38.7520	+0.0068	240 - 800	38.8780	38.7240	-	-	-	-	-	-	-

† Rates for Feb 26 Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 27		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J P Morgan index
Europe													
Austria	(Sch)	10.2178	+0.039	151 - 201	10.2300	10.1880	10.2010	1.9	10.1701	1.9	10.0476	1.7	106.3
Belgium	(BFr)	29.8750	-0.1115	700 - 800	29.9300	29.7750	29.83	1.8	29.738	1.8	29.405	1.5	103.3
Denmark	(DKr)	5.6170	+0.0225	155 - 185	5.6335	5.6022	5.6135	0.7	5.609	0.6	5.6245	-0.1	108.5
Finland	(FM)	4.5063	+0.0009	028 - 098	4.5101	4.4940	4.5019	1.2	4.4933	1.2	4.4768	0.7	83.7
France	(FFr)	4.9933	-0.0173	895 - 910	5.0000	4.9796	4.9862	1.0	4.9806	0.6	4.9663	0.5	109.3
Germany	(DM)	1.4529	+0.0007	525 - 531	1.4550	1.4482	1.4507	1.7	1.4462	1.8	1.4295	1.6	110.4
Greece	(Dr)	238.950	+0.44	720 - 180	240.590	238.000	240.525	-7.9	243.775	-8.1	258.45	-8.2	65.4
Ireland	(I£)	1.5859	-0.0035	849 - 868	1.5935	1.5845	1.5862	-0.2	1.5864	-0.1	1.5804	0.3	-
Italy	(L)	1549.00	-8.5	850 - 950	1559.25	1547.15	1555.35	-4.9	1567.1	-4.7	1610	-4.5	72.5
Luxembourg	(LFr)	29.0750	-0.1115	700 - 800	29.9300	29.7750	29.823	2.1	29.735	1.9	29.45	1.5	108.3
Netherlands	(Fl)	1.6269	+0.0062	264 - 274	1.6305	1.6221	1.6232	2.2	1.6174	2.3	1.5952	2.0	108.3
Norway	(NKr)	6.3155	+0.0167	378 - 438	6.3408	6.2925	6.3265	0.4	6.3303	0.7	6.3133	0.3	96.3
Portugal	(Es)	151.115	+0.81	050 - 180	152.150	150.890	151.49	-3.0	152.26	-3.0	155.865	-3.1	95.5
Spain	(Pta)	122.370	+0.42	320 - 420	122.500	122.070	122.705	-3.9	123.5	-3.7	126.99	-3.8	82.0
Sweden	(SKr)	6.6836	-0.0496	788 - 888	6.7553	6.6758	6.7008	-3.1	6.7303	-2.8	6.8678	-2.8	86.0
Switzerland	(SFr)	1.1830	+0.008	825 - 835	1.1850	1.1770	1.1754	3.7	1.1725	3.5	1.1487	2.9	113.9
UK	(£)	1.5390	-0.001	385 - 395	1.5443	1.5377	1.5376	0.9	1.5357	0.8	1.5242	1.0	82.7
Ecu	-	1.2706	-0.0018	702 - 709	1.2727	1.2645	1.2709	-0.3	1.2712	-0.2	1.2719	-0.1	-
SDR†	-	0.67730	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0002	998 - 999	1.0000	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9837	+0.0006	835 - 838	0.9840	0.9832	-	-	-	-	-	-	-
Canada	(C$)	1.3740	-0.0028	737 - 742	1.3743	1.3715	1.3742	-0.1	1.3743	-0.1	1.3793	-0.4	83.5
Mexico	(New Peso)	7.5400	-0.015	350 - 450	7.5450	7.5340	7.5423	-0.4	7.5454	-0.3	7.9503	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3175	-0.0039	172 - 180	1.3182	1.3172	1.3195	-1.9	1.323	-1.7	1.3417	-1.8	88.5
Hong Kong	(HK$)	7.7315	-0.0005	312 - 317	7.7319	7.7312	7.7322	-0.1	7.734	-0.1	7.761	-0.4	-
India	(Rs)	35.5450	-0.35	200 - 700	35.8700	35.5200	35.695	-5.1	36	-5.1	37.47	-5.4	-
Israel	(Shk)	3.1046	-0.0014	022 - 069	3.1093	3.0988	-	-	-	-	-	-	-
Japan	(Y)	104.505	-0.235	480 - 530	104.800	103.400	104.07	5.0	103.27	4.7	100.2	4.1	138.9
Malaysia	(M$)	2.5473	-0.0031	468 - 478	2.5485	2.5465	2.5482	-0.4	2.5543	-1.1	2.5778	-1.2	-
New Zealand	(NZ$)	1.4843	+0.0072	839 - 850	1.4850	1.4838	1.4874	-2.5	1.4932	-2.4	1.5178	-2.3	-
Philippines	(Peso)	26.2050	+0.01	950 - 150	26.2150	26.1950	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7508	+0.0001	504 - 507	3.7507	3.7504	3.751	-0.1	3.7517	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4083	+0.0023	078 - 088	1.4098	1.4066	1.4048	3.0	1.3988	2.7	1.3733	2.5	-
South Africa	(R)	3.8245	+0.001	220 - 270	3.8350	3.8220	3.8530	-9.0	3.9047	-8.4	4.128	-7.9	-
South Korea	(Won)	779.200	-0.75	100 - 300	780.000	779.000	782.2	-4.6	785.7	-3.3	804.2	-3.2	-
Taiwan	(T$)	27.4960	-0.0005	930 - 990	27.4990	27.4930	27.518	-0.9	27.556	-0.9	-	-	-
Thailand	(Bt)	25.1800	+0.02	700 - 900	25.1950	25.1680	25.2787	-4.7	25.4825	-4.9	26.265	-4.7	-

† SDR rate per $ for Feb 26. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 26: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

February 27	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅛	3⅛	3⅛	3⅞	3⅛	7.00	3.00	-
week ago	3⅜	3⅛	3⅜	3⅞	3⅞	7.00	3.00	-
France	4⅜	4⅛	4⅞	4⅛	4⅛	3.90	-	5.60
week ago	4⅜	4⅛	4⅞	4⅞	4⅞	3.90	-	5.60
Germany	3⅛	3⅜	3⅜	3⅛	3⅛	5.00	3.00	3.30
week ago	3⅞	3⅛	3⅞	3⅛	3⅛	5.00	3.00	3.30
Ireland	3⅛	5⅜	5⅛	5⅛	5⅛	-	-	5.25
week ago	5⅛	5⅛	3⅜	5⅜	3⅛	-	-	5.25
Italy	10⅛	10	9⅞	9⅞	9⅜	-	8.00	9.72
week ago	10⅜	10	10⅛	10⅛	10⅛	-	9.00	9.72
Netherlands	3⅜	3⅛	3⅛	3⅛	3⅛	-	3.00	3.30
week ago	3⅛	3⅛	3⅛	3⅛	3⅛	-	3.00	3.30
Switzerland	1⅛	1⅛	1⅞	1⅞	1⅛	5.00	1.50	-
week ago	1⅛	1⅛	1⅞	1⅞	1⅞	3.00	1.50	-
US	5⅜	5⅛	5⅛	3⅛	5⅛	-	5.00	-
week ago	5⅛	5⅛	5⅜	5⅛	5	-	5.00	-
Japan	⅛	⅞	⅞	1	⅞	-	0.50	-
week ago	⅛	⅞	⅞	⅞	⅞	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅜	3⅝	5⅛	5⅛	-	-	-
week ago	-	5⅛	3⅛	5⅛	5	-	-	-
US Dollar CDs	-	5.04	4.92	4.93	4.97	-	-	-
week ago	-	5.04	4.95	4.85	4.72	-	-	-
ECU Linked Ds	-	4⅞	4⅞	4⅞	4⅞	-	-	-
week ago	-	4⅞	4⅛	4⅞	4⅞	-	-	-
SDR Linked Ds	-	3⅝	3⅝	3⅛	3⅛	-	-	-
week ago	-	3⅜	3⅝	3⅜	3⅛	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds)

EURO CURRENCY INTEREST RATES

Feb 27	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3¼	3⅜ - 3¼	3⅜ - 3⅜	3½ - 3⅞
Danish Krone	4⅞ - 4⅞	4⅞ - 4⅛	4⅛ - 4¼	4⅜ - 4⅜	4⅞ - 4⅞	4⅛ - 4⅞
D-Mark	3⅛ - 3	3⅜ - 3¼	3⅞ - 3¼	3⅜ - 3¼	3⅝ - 3⅜	3½ - 3⅞
Dutch Guilder	3⅜ - 3⅛	3⅜ - 3⅛	3⅜ - 3⅜	3⅜ - 3⅜	3⅜ - 3⅜	3⅜ - 3⅜
French Franc	4⅜ - 4½	4¼ - 4⅛	4⅜ - 4⅜	4⅞ - 4⅞	4½ - 4⅜	4⅝ - 4½
Portuguese Esc.	8⅛ - 7⅞	8⅛ - 8	9⅛ - 7⅞	8⅛ - 7⅞	8⅛ - 7⅞	8⅛ - 7⅞
Spanish Peseta	9¼ - 9⅛	9⅜ - 8⅞	8⅞ - 8⅞	8⅞ - 8⅞	8½ - 8⅞	8⅝ - 8⅜
Sterling	6⅜ - 6¼	6¼ - 6⅜	6¼ - 6⅜	6⅜ - 6⅜	6⅛ - 6⅛	6¼ - 6⅜
Swiss Franc	1¼ - 1⅛	1⅝ - 1½	1⅜ - 1½	1⅞ - 1⅜	1¾ - 1⅝	1⅞ - 1⅞
Can. Dollar	5⅜ - 3⅛	5⅜ - 5⅛	3¾ - 5⅛	5¼ - 5⅛	3⅜ - 5⅛	3⅛ - 3⅜
US Dollar	5¼ - 5⅛	5¼ - 5⅛	5¼ - 5⅛	5⅜ - 5⅛	5⅜ - 5⅛	5⅜ - 3
Italian Lira	10⅜ - 9⅜	10⅛ - 10	10⅛ - 9⅞	10 - 9⅞	9⅞ - 9⅞	9¾ - 9⅝
Yen	½ - ⅛	⅞ - ⅞	⅞ - ⅛	⅞ - ½	⅞ - ⅞	1⅛ - 1
Asian $Sing	⅛ - ⅞	1⅜ - 1¼	1⅞ - 1⅞	2⅛ - 2	2⅜ - 2¼	2¾ - 2⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.50	95.49	+0.05	95.52	95.46	24,836	49,014
Jun	95.53	95.50	-0.02	95.55	95.45	14,932	56,780
Sep	95.50	95.46	+0.01	95.52	95.43	5,293	46,283

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.62	96.64	+0.04	96.65	96.60	19586	154830
Jun	96.66	96.69	+0.05	96.71	96.62	35347	177895
Sep	96.47	96.52	-0.07	96.54	96.42	38948	191019
Dec	96.19	96.21	-0.07	96.24	96.10	37841	157446

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.15	90.20	+0.12	90.25	90.08	8504	35672
Jun	90.83	90.70	-0.13	90.74	90.56	7777	34003
Sep	91.00	91.04	-0.09	91.07	90.98	1318	18644
Dec	91.08	91.10	+0.07	91.13	91.04	693	12728

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.30	98.29	+0.02	98.34	98.25	4355	19937
Jun	98.20	98.22	+0.03	98.25	98.18	5333	20400
Sep	97.96	98.02	-0.03	98.03	97.96	1724	12454
Dec	97.65	97.72	+0.05	97.73	97.65	867	7986

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.25	95.28	+0.03	95.29	95.23	1249	7750
Jun	95.35	95.35	+0.02	95.37	95.32	1061	4888
Sep	95.20	95.25	+0.01	95.27	95.20	359	3135
Dec	95.03	95.05	+0.02	95.08	95.01	161	3125

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9000	0.29	0.87	1.33	0.09	0.17	0.29
9025	0.14	0.68	1.14	0.19	0.23	0.35
9050	0.05	0.51	0.97	0.35	0.31	0.43

Est. vol. total, Calls 0 Puts 100. Previous day's open int., Calls 25293 Puts 20025

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 27		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.80	16.70	4.863	2.112	5185	5.446	21.22	505.7	409.5	22.38	3.980	2.175	4.600	3.347	349.7	2.634
Denmark	(DKr)	53.19	10	8.885	2.587	1.123	2758	2.897	11.29	269.0	217.9	11.90	2.107	1.157	2.447	1.780	186.0	1.401
France	(FFr)	59.87	11.26	10	2.911	1.264	3104	3.260	12.11	302.7	245.2	13.40	2.371	1.302	2.754	2.004	209.4	1.577
Germany	(DM)	20.56	3.866	3.435	1	0.434	1066	1.120	4.364	104.0	84.21	4.602	0.614	0.447	0.946	0.688	71.91	0.542
Ireland	(I£)	47.35	8.902	7.909	2.303	1	2455	2.579	10.05	239.4	193.9	10.60	1.975	1.030	2.178	1.585	165.6	1.247
Italy	(L)	1.929	0.363	0.322	0.094	0.041	100	0.105	0.409	9.753	7.898	0.432	0.076	0.042	0.089	0.065	6.745	0.051
Netherlands	(Fl)	18.36	3.452	3.067	0.893	0.388	952.1	1	3.897	92.85	75.20	4.109	0.727	0.399	0.845	0.615	64.22	0.484
Norway	(NKr)	47.12	9.858	7.870	2.291	0.995	2443	2.566	10	238.3	193.0	10.55	1.868	1.025	2.167	1.577	164.8	1.241
Portugal	(Es)	19.78	3.712	3.303	0.962	0.419	1025	1.077	4.197	100.	80.99	4.426	0.783	0.430	0.910	0.662	69.10	0.521
Spain	(Pta)	24.42	4.591	4.079	1.197	0.516	1266	1.330	5.182	123.5	100.	5.465	0.967	0.531	1.123	0.817	85.40	0.643
Sweden	(SKr)	44.68	8.400	7.464	2.173	0.944	2317	2.433	9.483	225.9	183.0	10	1.770	0.972	2.055	1.496	156.3	1.177
Switzerland	(SFr)	25.25	4.747	4.217	1.228	0.533	1309	1.375	3.359	127.7	103.4	5.651	1	0.549	1.181	0.845	88.30	0.665
UK	(£)	45.98	8.644	7.680	2.236	0.971	2384	2.504	9.758	232.5	188.3	10.29	1.821	1	2.115	1.539	160.8	1.211
Canada	(C$)	21.74	4.087	3.631	1.057	0.459	1127	1.184	4.914	109.9	89.03	4.865	0.861	0.473	1	0.728	76.03	0.573
US	($)	29.88	5.617	4.990	1.453	0.631	1549	1.627	6.340	151.1	122.4	6.688	1.183	0.650	1.374	1	104.5	0.787
Japan	(Y)	28.59	5.376	4.776	1.391	0.604	1483	1.557	6.068	144.6	117.1	6.399	1.132	0.622	1.315	0.957	100.	0.753
Ecu		37.97	7.138	6.342	1.846	0.802	1969	2.068	9.058	192.0	155.5	8.497	1.504	0.826	1.746	1.271	132.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10: Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6906	0.6880	-0.0027	0.6899	0.6880	18,062	65,541
Jun	0.6924	0.6913	-0.0020	0.6930	0.6913	448	8,358
Sep	0.6951	0.6951	-0.0019	0.6951	0.6951	10	1,504

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9618	0.9565	-0.0054	0.9665	0.9565	20,001	68,343
Jun	0.9728	0.9673	+0.0053	0.9773	0.9675	582	5,754
Sep	0.9870	0.9828	-0.0001	0.9870	0.9820	15	833

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8501	0.8457	-0.0068	0.8488	0.8457	10,582	35,686
Jun	0.8558	0.8535	+0.0063	0.8560	0.8535	228	2,719
Sep	-	0.8641	-	-	-	3	248

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5368	1.5380	-0.0012	1.5426	1.5362	6,546	42,357
Jun	1.5344	1.5344	+0.0014	1.5360	1.5340	283	10,503
Sep	-	1.5380	-	-	1.5290	3	9

UK INTEREST RATES

LONDON MONEY RATES

Feb 27	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5½ - 5	6⅜ - 6⅞	6¼ - 6⅛	6¼ - 6⅛	6⅛ - 0	6⅜ - 6⅛
Sterling CDs	-	-	6⅞ - 6⅜	6⅛ - 6⅛	6⅛ - 5	6⅞ - 6⅞
Treasury Bills	-	-	6⅛ - 6⅛	6 - 5⅞	-	-
Bank Bills	-	-	6⅛ - 6⅜	8 - 5⅞	3⅞ - 3⅞	-
Local authority deps.	6⅜ - 6⅞	6⅜ - 6⅞	6¼ - 6⅛	6⅛ - 6⅛	6⅛ - 5⅞	6⅛ - 5⅞
Discount Market deps	6¼ - 6	6⅝ - 6⅞	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from January 18, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount 5.9280pc. ECGD fixed rate Stlg. Export Finance. Make up day Jan 31, 1996. Agreed rate for period Feb 26, 1996 to Mar 25, 1996, Schemes II & III 7.89pc. Reference rate for period Dec 30, 1995 to Jan 31, 1996, Schemes IV & V 6.440pc. Finance House Base Rate 6.5pc from February 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.91	93.91	+0.03	96.92	93.89	7004	63474
Jun	93.95	93.96	+0.05	93.98	93.93	22566	77538
Sep	93.84	93.85	+0.06	93.88	93.80	18708	54098
Dec	93.60	93.59	+0.05	93.62	93.55	9612	44184
Mar	93.28	93.27	+0.03	93.29	93.23	3527	31092

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9375	0.19	0.32	0.41	0.03	0.11	0.31
9400	0.04	0.17	0.27	0.13	0.21	0.42
9425	0	0.07	0.17	0.34	0.38	0.57

Est. vol. total, Calls 7058 Puts 4702. Previous day's open int., Calls 155254 Puts 159725

EMS EUROPEAN CURRENCY UNIT RATES

Feb 27	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	159.042	+0.07	-2.12	5.69	15
Netherlands	2.15214	2.11384	+0.00199	-1.78	5.32	13
Belgium	39.3960	38.8272	-0.0328	-1.44	4.96	11
Austria	13.4383	13.2787	+0.011	-1.20	4.71	9
Germany	1.91007	1.88764	+0.00177	-1.17	4.68	12
Denmark	7.28580	7.29763	-0.00578	0.17	3.28	-1
Portugal	195.792	196.269	+0.029	0.24	3.20	-2
France	6.40608	6.48681	+0.00651	1.26	2.19	-11
Ireland	0.792214	0.819522	-0.000561	3.45	0.00	-23
NON ERM MEMBERS						
Greece	292.867	310.995	-1.251	3.18	-2.58	-
Italy	2106.15	2021.44	-12.24	-4.02	7.78	-
UK	0.786652	0.819622	-0.027076	4.18	-0.70	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Mar	CALLS Apr	CALLS May	PUTS Mar	PUTS Apr	PUTS May
1.500	3.82	4.01	4.38	0.07	0.34	0.71
1.510	2.86	3.19	3.65	0.13	0.48	0.99
1.520	2.04	2.51	2.99	0.27	0.74	1.33
1.530	1.29	1.88	2.45	0.43	1.09	1.74
1.540	0.72	1.35	1.94	0.86	1.57	2.24
1.550	0.34	0.96	1.51	1.40	2.16	2.76

Previous day's vol., Calls 1,612 Puts 2,396. Prev. day's open int., Calls 168,510 Puts 188,171

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.75	94.74	-	94.76	94.74	40,758	341,158
Jun	94.91	94.97	-0.05	94.95	94.87	112,743	400,544
Sep	95.00	94.84	-	95.04	94.94	99,300	332,027

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.24	95.23	-	95.24	95.23	191	5,667
Jun	95.34	95.38	-	95.38	95.34	1,586	6,300
Sep	95.42	95.41	-	95.42	95.41	41	1,370

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
9650	0.16	0.23	0.25	0.27	0.02	0.04	0.06	0.08
9675	0.02	0.07	0.10	0.12	0.13	0.13	0.19	0.19
9700	0	0.01	0.02	0.05	0.38	0.32	0.33	0.38

Est. vol. total, Calls 26983 Puts 10783. Previous day's open int., Calls 386733 Puts 314923

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9825	0.10	0.16	0.17	0.08	0.18	0.40
9850	0.02	0.06	0.08	0.23	0.34	0.56
9875	0	0.02	0.04	0.46	0.55	0.77

Est. vol. total, Calls 440 Puts 350. Previous day's open int., Calls 8405 Puts 4272

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	Royal Bk of Scotland	6.25
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	●Singer & Friedlander	6.25
AIB Bank	6.25	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	TSB	6.25
Bank of Baroda	6.25	Girobank	6.25	United Bank of Kuwait	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	Unity Trust Bank Plc	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Western Trust	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Whiteaway Laidlaw	6.25
Bank of India	6.25	Heritable & Gen Inv Bk	6.25	Yorkshire Bank	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25		
Barclays Bank	6.25	C. Hoare & Co	6.25	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25	* In administration	
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Credit Corp	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

SOCIETE GENERALE
USD 210,000,000 SUBORDINATED FLOATING RATE NOTES DUE 2002
ISIN CODE : XS0039179329

For the period February 27, 1996 to August 27, 1996 the new rate has been fixed at 5.125 % P.A.

Next payment date : August 27, 1996
Coupon nr : 8
Amount : USD 129.55 for the denomination of USD 5 000
USD 2590.97 for the denomination of USD 100 000

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE BANK & TRUST
LUXEMBOURG

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or –	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		524	+5	566	476½	5,428	3.6	18.0
Bulmer (HP)		559	+2	580	398	295.2	2.8	17.5
Burn St Dist		121	—	148	86	71.8	5.2	26.0
Grand Met		433xd	–2	487	363½	9,087	4.3	18.6
Guinness		453	+11	536	404	9,177	3.9	14.1
Highland		359	—	406	315	478.2	2.8	16.3
Kirin Y		706	–1¼	806	621	8,091	0.8	29.4
Macallan-Glen		193	–1	217	157	191.4	1.8	38.1
Macdonald Martin A		635	–8	680	600	87.0	2.1	17.0
Matthew Clark		686xd	—	694	541	606.8	4.6	–
Merrydown		108	—	140	68	11.8	2.3	–
Seagram $		£22⅞	[illegible]	£25⅞	£16¼	6,236	1.2	–

BANKS, MERCHANT

	Notes	Price	+ or –	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Barings 9pc Cn 2nd Prf.		50½	—	50½	50½	6.31	19.8	–
Cater Allen		467	–1	525	424	152.2	6.0	7.7
Close Bros		383	—	392	227	443.2	3.0	16.1
Gerrard & Nat		445	—	472	395	204.0	6.7	13.5
Hambros		207	+3	225	180	366.0	4.6	–
7½pc Cn Pf		97½	—	107½	94	125.0	6.7	–
Joseph (L)		450	—	463	353	23.8	9.2	15.5
King & Shaxson		155	—	165	85	40.9	1.3	12.0
Rea Brothers		60	—	67	44	28.0	2.1	24.0
Schroders		1273	+3	1478	906¾	1,822	1.4	18.1
N/V		1000	+2	1180	823¼	440.0	1.8	14.2
Singer & Fried		110	—	113	81	217.1	4.2	11.4
8½pc Cv Ln 08/14		£133	—	2137	£1⅞	40.8	6.4	–

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL, EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Rensora (Wm)		58xd	—	60	44	6.76	4.7	12.9
Schering DM		847½	−½	1083½	541½	3,261	1.5	–
Scotia		579	+21	718	333	450.8	–	–
SmKl Beecham A		705xd	−5	742	477	9,677	2.3	20.5
Equity Units		704xd	−5	737	452½	9,222	2.5	20.4
Zeneca		1253	+3	1337½	840	11,865	2.8	25.5

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

- Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. j Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v P/e ratios are calculated under new ACT guidelines. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Guernsey Funds Ltd

[illegible]

Jupiter Tyndall (Bermuda) Ltd

[illegible]

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd

[illegible]

Butterfield Management Co Ltd

[illegible]

Orbis Investment Management Ltd

[illegible]

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Adams & Neville Fd Mangt (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mgrs (Guernsey) Ltd

[illegible]

Hambros Fd Mgrs (CI) Ltd

[illegible]

Lazard Frères Asset Management (CI) Ltd

Lazard Fund Mgrs (Channel Islands) Ltd

[illegible]

Lloyds Intl Money Market Fund Ltd

[illegible]

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

[illegible]

Schroder Fund Mangt (Guernsey) Ltd

Scottish Equitable Mangt (Guernsey) Ltd

[illegible]

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Bank of Bermuda (Guernsey) Ltd

Barclays Global Investors Guernsey Ltd

CIBC Fund Managers (Guernsey) Ltd

Cornelian (Channel Islands) Limited

Lloyds Bank Fund Managers (Guernsey) Ltd

Guernsey Capital Management Limited

Hambros Fund Managers (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Managers (CI) Ltd

Lazard Frères Asset Management (CI) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Nikko Capital Mngt (Europe) Ltd

Rothschild Asset Mngmt (CI) Ltd

Royal Bank of Canada Intl Money Market Fd

Schroder Investment Mngmt (Guernsey) Ltd

Sphere Fund Managers (Guernsey) Ltd

UBS Asset Management (Guernsey) Ltd

U.S. Advisers (Guernsey) Limited

Yamaichi Capital Mngt (Guernsey) Ltd

[illegible]

IRELAND (SIB RECOGNISED)

AIB Fund Management Ltd

BT Fund Managers (Ireland) Ltd

Bank of Cyprus Group

Bank of Ireland Asset Management

Coutts & Co Fund Managers Limited

Dresdner Kleinwort Benson Intl Mgt Services Ltd

[illegible]

The Fidelity Trust Global Limited

GAM Fund Management Ltd (s)

[illegible]

Guinness Flight Select Funds Plc

Hambros Fund Managers (Ireland) Ltd

Henderson Crosthwaite Investment Co

LGT Asset Management Ltd

[illegible]

Morgan Grenfell Investment Funds Ltd

[illegible]

Murray Johnstone (Dublin) Ltd

Old Mutual International Fd Mgrs Ltd

Prolific International Fund Plc

Scottish Value Management (Ireland) Ltd

Singer & Friedlander Inv Funds Ltd

[illegible]

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Apollo Fund Plc

Asian Dynamic Growth Fund Plc

Atlantis Korean Smaller Companies Fund

BZW Asset Management Ireland Ltd

Bank of Ireland Unit Managers Ltd

Baring International Fd Mgrs (Ireland) Ltd

Baring Mutual (Ireland) Ltd

Berkshire KITC Growth Fund Plc

Border Invest (Ireland) Ltd

CFP Interest Rate Arbitrage Fund Plc

Calyx Fund

Capital Vision Fund Plc

Charterd Ireland Fund Administrators Ltd

CIB Investment Fund (Ireland)

Citizens Investment Trust Mgt Company

Daiwa Europe Fund Managers Ireland Ltd

Dragon Korea Fund Plc

Dresdner Kleinwort Benson Intl Mgt Services Ltd

Dynamic Pacific Portfolio Fund Plc

East Asia Hansen Ireland Ltd

Emerging Dynamic Fund Plc

Emerging Market Growth Fund Plc

F.T. Investment Trust Ltd

Frontier Market Fund Plc

Frontiers Investment Mgmt (Ireland) Ltd

Frank Russell Investments (Ireland) Ltd

GT Fund Management (Ireland) Ltd

Global Resources Stock Fund

Gordon House Asset Management Ltd

Hambros Fund Managers (Ireland) Ltd

Harvard Europe Limited

Kiwi Europe Worldwide Fund

Kleinwort Benson Bond Arbitrage Fund Plc

Kleinwort Benson Derivative Products Fd Plc

Korea Capital Growth Fund

Korea Golden Dynasty Fund Plc

Korea International Investment Ireland Ltd

Korean Emerging Growth Fund Plc

Korea Preferred Share Fund

LGT Asset Management Ltd

Morgan Grenfell Fixed Income Funds Plc

National Mutual Funds Management

Old Mutual International Fund Plc

Pacific 21st Century Fund

Pacific Growth Fund Ltd

Paine Webber Offshore Funds Plc (s)

Paribas Asset Management (Ireland) Ltd

[illegible]

Swiss Life Investment Fund - Proteus (s)

Tomkins Emerging Market Plc

Yamaichi Samsung Dynamic Korea Fund

Yellow Sea Investment Company PLC

Yield Korea Fund

Yield Taiwan Fund

[illegible]

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mgrs (1600)F

[illegible]

Ashburton Global Funds Ltd (1200)

Bank of Ireland Asset Mngmt (IOM) Ltd

CAll Fund Managers Ltd

Mercury Fund Managers IoM Ltd

Sun Life Management (IoM) Ltd

Ulster Bank Global Funds Plc

Dalbeat Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mgrs

Bank of Ireland Asset Mngmt (IOM) Ltd

City Financial Admin (IoM) Ltd

Gartmore Intl Mngt (IoM) Ltd

HSBC Fund Managers Ltd

Sytrial International Fund Management Ltd

[illegible]

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Coutts & Co (Jersey) Fund Managers Ltd

Gartmore Fund Managers Intl Ltd (s)

Lloyds Bank Fund Managers (Jersey) Ltd

Midland Bank Fund Managers (Jersey) Ltd

Newton Fund Mgrs (CI) Ltd (1200)F

Prudential Fund Managers (Jersey) Ltd

Royal Bank of Scotland Fd Mgrs (Jersey) Ltd

Standard Bank Fund Mngrs (Jersey) Ltd

TSB Fund Managers (CI) Ltd

[illegible]

JERSEY (REGULATED)(**)

Barclays Intl Funds

Color Allen Investment Management (C)

Capel-Cure Intl Asset Mngt Ltd (CIAM)

Gartmore Investment Management (Ireland) Ltd

Societe Generale Group

Citibank S.A.

Coutts & Co (Jersey) Fund Managers Ltd

EBC Fund Managers (Jersey) Ltd

Fleming Group

Foreign & Colonial Mngt (Jersey) Ltd

[illegible]

John Govett Management (Jersey) Ltd

INVESCO International Limited

Jupiter Tyndall (Jersey) Ltd

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

Leopold Joseph Financial Services Limited

Mercury Asset Mngt Channel Islands Ltd

Minerals, Oils Res. Shrs. Fd. Inc.

Northgate Unit Tst. Mngr. (Jersey) Ltd

Perpetual UT Mngrs (Jersey) Ltd

The Portugal Fund Limited

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Schroder Mngt Services (Jersey) Ltd

Singer & Friedlander Jersey

TSB Fund Managers (CI) Ltd

Worldinvest (Managers) Jersey Ltd

[illegible]

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (s)

Abtrust Fund Mgrs Luxembourg SA (s)

American Pioneer Investment Portfolios (s)

BAII Asset Management Ltd

Banque Indosuez Luxembourg SA

Bank Von Ernst & Cie AG

Citicorp Investment Bank (Lux) SA

Credit Suisse Asset Management

Eagle Star - Global Assets Fund (s)

Eurolux Global SICAV (s)

Fidelity Funds

Fleming Group (s)

Flemings Intl Fund SA

Foreign & Colonial Emerging Markets Ltd (s)

Frontiersman Fund

Gartmore Global Strategy Fund

Hill Samuel Fund Mgrs (Jersey) Ltd

HSBC Investment Funds Luxembourg SA (s)

Hypo Foreign & Colonial Port Fd Mgmt (s)

INVESCO International Limited (s)

Kleinwort Benson Select Fund (s)

Lloyds Bank Luxembourg

Midland Intl Circuit Fund SICAV (s)

Morgan Grenfell

Nikko Capital Management

Paribas

Schroder International Selection Fd (s)

Smith Barney Shearson World Portfolio (s)

Sun Life Global Management Ltd

[illegible]

LUXEMBOURG (REGULATED)(**)

Aetos International Umbrella Fund (s)

Alliance Capital

Americanos Fund SICAV

Banque Ferrier Lullin (Lux) SA

Banque Scandinave En Suisse

Credit Suisse

Dresdner Bank Luxembourg SA

Edmond de Rothschild Group

Hermes Alpha Growth Fund

Korea Europe Fund

Luxembourg Int Fund SICAV

Midland International Mgmt (Luxembourg) SA

Nikko Capital Management

[illegible]

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[illegible]

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OFFSHORE INSURANCES

[illegible]

MANAGED FUNDS NOTES

[illegible]

LONDON STOCK EXCHANGE

MARKET REPORT

Takeover speculation returns and lifts market

By Steve Thompson,
UK Stock Market Editor

A fresh burst of takeover news helped to revive London's equity market, which made useful ground in spite of another sharp opening fall on Wall Street.

Confirmation that Kvaerner, the Norwegian shipping group, is considering a bid for Trafalgar House, the troubled UK conglomerate, instantly revived the market's hope that more bids or mergers could be in the pipeline.

The bid rumblings, plus widespread relief that the government had just managed to squeak through the Commons vote on the Scott report, provided sufficient fire power to drive the FT-SE 100 index up 11.7 to 3,715.9.

The performance of the FT-SE Mid 250 index, on the other hand, was something of a disappointment, with the index only managing a mere 3.7 gain and failing to move back through the 4,200 level, eventually closing at 4,198.7. Traders were surprised at the sluggish performance of second liners given the steep rise in Trafalgar House, whose shares raced up more than 30 per cent.

There was plenty of action in the front-line stocks, however, to keep the market boiling, notably a share buyback in Barclays, which helped to arrest an early slide in the stock price and gave a substantial lift to market turnover.

Barclays shares had drifted back in spite of more than adequate results which included a 24 per cent increase in the dividend.

At 6pm, turnover in the equity market reached 732.9m shares, with Barclays accounting for 91m, or 12 per cent of the overall total.

Dealers expected the Barclays cash to come straight back into the equity market and probably into the financials.

National Westminster is seen as another potential buyback stock, while today's results from Standard Chartered are expected to include a 50 per cent rise in the dividend.

The trading session began on a cautious note with the Footsie opening marginally easier as market-makers eyed the 65-point decline overnight in the Dow Industrial Average. The fall was only partly offset by the late rally in US bonds.

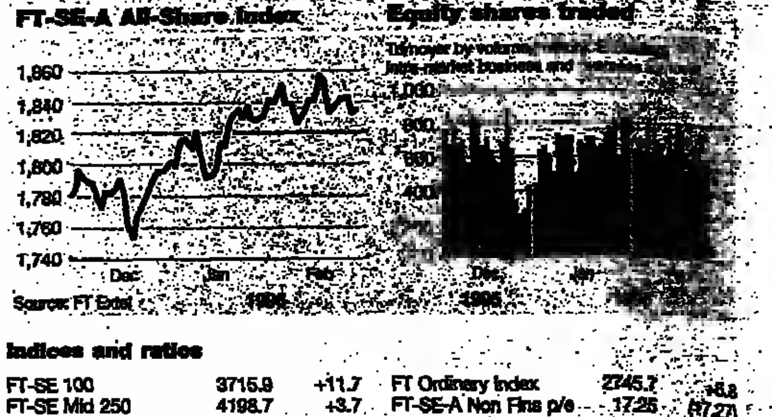
The government's success in the Scott vote had only a minor impact on sentiment - dealers said a defeat would have been followed by a government victory in a no-confidence vote.

But with gilts in reasonably good shape in the wake of T-bonds and ahead of today's £3bn auction, the equity market began to pick up speed, and the Footsie reached the day's peak, 3,723.2, in mid-morning.

Thereafter the index gradually eased in relatively quiet trading – apart from the Barclays buyback – to close comfortably clear of the 3,700 level.

Marketmakers still see 3,700 as providing a solid floor for the market and view 3,750 as a viable target in the short term. Anything above 3,750 is seen as holding dangers for investors.

Much of the day's rise in the cash market came from pressure in the Footsie future, which had been sold hard on Monday ahead of the Scott debate, leaving plenty of short positions which had to be filled in yesterday.



Indices and ratios

FT-SE 100	3715.9	+11.7	FT Ordinary Index	2745.7	+6.8
FT-SE Mid 250	4198.7	+3.7	FT-SE-A Non Fins p/e	17.25	(17.27)
FT-SE-A 350	1858.0	+5.0	FT-SE 100 Fut Mar	3720.0	+15.0
FT-SE-A All-Share	1834.62	+4.36	10 yr Gilt yield	7.92	(7.93)
FT-SE-A All-Share yield	3.79	(3.79)	Long gilt/equity yld ratio:	2.20	(2.20)

Best performing sectors		Worst performing sectors	
1 Extractive Inds	+1.4	1 Tobacco	-1.2
2 Alcoholic Beverages	+1.0	2 Electronic & Elec	-0.6
3 Leisure & Hotels	+0.9	3 Other Financial	-0.4
4 Gas Distribution	+0.8	4 Engineering, Vehicles	-0.2
5 Banks, Retail	+0.8	5 Water	-0.1

Trafalgar jumps on bid hope

Loss-making Trafalgar House, buoyed throughout the morning by strong takeover rumours, shot forward even more dramatically following confirmation that Kvaerner, of Norway, was interested in making a recommended offer.

The hot gossip suggested that the Norwegian shipbuilding and energy engineering giant was actively negotiating to purchase Hong Kong Land's 26 per cent stake in the group and was teeing up a bid for the rest of Trafalgar in excess of 50p a share.

Kvaerner, which last year bid unsuccessfully for construction group Amec, was said to be anxious to snap up Trafalgar's deep water technology, a business which directly overlaps with a similar operation at Amec.

Trafalgar has come up from 24p since the start of this year. Yesterday, the shares shot forward 8¼ to 47¼p for a two-day advance of almost 25 per cent. Turnover was 26m, backed by heavy options trading.

Talk that any bid for Trafalgar would lead Kvaerner to dispose of the 26 per cent stake taken in Amec at the time of the thwarted takeover dented Amec shares. These fell 5 to 85p in nominal trading volume.

Reuters in demand

Shares in Reuters were among the top performers in the blue chips after buying in New York and a change of recommendation in London.

One US hedge fund was believed to be a big purchaser of the news and financial information group's shares, possibly taking advantage of a dividend arbitrage.

Dealers said a difference in timing between the release of the dividend in the US and the UK allowed US investors to go short of Reuters stock and then buy it back for the dividend. There is also heavy switching between investors who have to pay tax on dividends, and gross funds exempt from tax.

Next, Panmure Gordon, which has just released its seminal review of the media sector, has moved its recommendation on Reuters from hold to buy. The broker believes the prospects of a special dividend or share buyback boosts the price/earnings rating relative to the market.

Finally, there was a sharper focus on a distribution of cash to shareholders after the announcement of a 40m-share buyback in the banking sector. Reuters ended the day 15 up at 707p after being 22 ahead at one stage.

Guinness active

Spirits group Guinness topped the list of the day's most active traders after long term bear UBS turned more positive on the stock.

The securities house had been a seller of the shares since June 1994 but UBS yesterday upgraded its recommendation from "sell" to "hold".

The shares responded by jumping 11 to 453p, although volume was a modest 2.9m.

Explaining the change of stance, analysts at the securities house said: "The current (price/earnings ratio) rating discounts the dull growth prospects for the spirits market worldwide and Guinness has better cash generation than its peer group."

The broker also believes the UK spirits group is well positioned to take advantage of consolidation in the industry in the medium term.

Plans – published yesterday in a Home Office consultative paper – to ease the regulation surrounding the gambling industry cheered the market and boosted many stocks from related industries.

The list of forward movers included Rank Organisation, which is expected to particularly benefit from the relaxation of bingo ball rules. The shares appreciated 7 to 491p, while those in Bass finished 4 higher at 742p.

Casino operators were said to be particularly pleased with the proposals. Shares in London Clubs forged ahead 16 to 490p, and those in Stakis hardened 3 to 91p.

More modest gains were also recorded in Ladbroke – a penny firmer at 181p – and in Capital Corporation, which also put on a penny at 219p.

Satellite broadcaster BSkyB was volatile as rumour crackled through the market that Chargeurs, the French company with a 17 per cent stake, was about to offload its holding. However, Chargeurs' suspension on the Paris bourse was ultimately shown to herald a demerger and BSkyB trickled back to end 5½ better at 398½p.

Telegraph shares fell 16 to 463p on disappointment with full-year figures.

Once again, the banking sector produced good figures that failed to inspire share prices.

Barclays came out with profits broadly in line with expectations and the stock slipped 18 initially. There were worries about cost growth and the anticipated share buyback did not come.

Then, later in the afternoon, Barclays said it was repurchasing 40m of its shares and the underlying price recovered but still closed 6 off at 765p, with turnover of 91m by the end of the day showing the buyback had been executed.

The trend of encouraging results in the composites was continued by General Accident, which reported surprisingly good UK business. The shares rose 13 to 650p.

However, the sector came under pressure late in the day as the market got wind of a sector downgrade by NatWest Securities. The broker believes prospects for the industry, and insurers' exposure to a nervous bond market, make it an area to avoid following recent strong performance. Royal Insurance receded 3 to 377p.

Unilever was one of the stocks that resisted the firm market trend. The shares eased 7 to 1201p. A recent note from Strauss Turnbull confirmed its more cautious short term stance on the stock. Strauss had been one of Unilever's long term fans.

Unigate gained 6 at 443p, after it said it was in discussions with Hillsdown Holdings to acquire its Harris pig meat business for £11.4m. The move is seen as positive for Unigate and sentiment was enhanced by news of an increase in the retail price of milk. Unigate is a big supplier of milk. Hillsdown closed 2 lower at 172p.

Northern Foods, another big milk supplier which is expected to gain from the price increase, hardened 2 to 194p.

Reiterated buy advice from SBC Warburg helped Charter Consolidated add 15 at 846p, after closing on Friday at 819p.

The broker has a target price of 947p which, it feels, more closely reflects the true value of the group's ESAB welding equipment business.

Results from George Wimpey met City targets but yesterday's meeting with analysts was a slightly downbeat affair. The shares lost 2 at 134p.

Software group Acorn Computers shed more than 7 per cent on news of the group's move deeper into the red. The shares closed 17 off at 224p.

Up some 6 per cent in two days on the back of share buyback talk, British Steel continued to top the active stock charts with turnover of 17m but it eased 2½ to 180p.

Rolls-Royce, a strong market lately in the run-up to next week's results statement, also met with sell orders. The shares were the Footsie laggard, slipping 2½ to 207½p.

Mobile phones group Vodafone was the Footsie backmarker, dipping 3½ to 227½p. The shares were lifted last week by a positive US presentation.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Feb 27	Feb 26	Feb 23	Feb 22	Feb 21	Yr ago	*High	*Low
Ordinary Share	2745.7	2738.9	2760.9	2761.5	2741.0	2288.2	2788.2	2238.3
Ord. div. yield	3.90	3.91	3.88	3.88	3.87	4.66	4.78	3.76
P/E ratio net	16.46	16.40	16.14	16.13	16.48	16.48	21.23	15.35
P/E ratio nil	16.25	16.16	15.93	15.93	16.27	18.00	22.21	15.17

*For 1995/96. Ordinary Share index since compilation: high 2788.2 18/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2737.9	2743.2	2748.7	2746.4	2746.0	2746.5	2748.7	2748.1	2747.2	2750.2	2734.3

	Feb 27	Feb 26	Feb 23	Feb 22	Feb 21	Yr ago
SEAQ bargains	31,461	34,511	31,881	31,140	30,449	20,840
Equity turnover (£m)†	-	1574.9	1702.3	1999.0	2113.2	1478.5
Equity bargains†	-	39,245	37,497	36,6881	38,006	27,247
Shares traded (ml)†	-	547.2	597.2	625.2	685.1	562.2

†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	600	Total Highs	79	Total contracts	26,126
Total Falls	632	Total Lows	26	Calls	13,381
Same	1,564			Puts	12,745

Feb 27 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3696.0	3720.0	+15.0	3728.0	3697.0	13453	52230
Jun	3705.0	3722.5	+14.5	3729.0	3705.0	5745	14007
Sep		3740.0	+15.0			0	2173

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4198.0	4198.0	-2.0	4198.0	4198.0	200	3305
Jun	4210.0	4210.0		4210.0	4210.0	20	279

■ FT-SE 100 INDEX OPTION (LIFFE) (*3716) £10 per full index point

[illegible]

Calls 4,279 Puts 8,749

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

Mar	[illegible]									
Apr	[illegible]									
May	214½	26½	178	37	148½	51	189	88½	[illegible]	
Jun	237½	44			165½	70			[illegible]	
Sept†	278½	71			208	97			[illegible]	

Calls 2,846 Puts 888 * Underlying index value. Premiums shown are based on settlement prices. † Long dated equity options.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995/96 High	1995/96 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	50.3	504	498	BZW Eq (Grmds)	503	+4	-	-	-	-
-	F.P.	6.28	8½	5½	†Ballynatray	6	+½	-	-	-	-
7.5	F.P.	14.7	8½	5¾	Clubhaus	8		¥-	-	-	11.1
-	F.P.	0.07	5½	3¼	Clubhaus Wts	3¼		-	-	-	-
-	F.P.	13.1	90	70	†Dimatek	70		-	-	-	-
-	F.P.	13.9	15	11	Ex-Lands Props	12½		Lx0.5	-	5.0	-
-	F.P.	0.19	13½	8½	Ex-Land Wts	8½		-	-	-	-
12	F.P.	-	18	14	†Freepages	15		¥-	-	-	-
60	F.P.	34.3	68	63	MediaKey	63		Lx0.96	-	1.9	-
-	F.P.	0.13	9	9	†Nthrn Ptrlm Wts	8		-	-	-	-
-	F.P.	15.8	71	66	†Optical Care (B)	68	-2	-	-	-	-
-	F.P.	3.10	13	12	Oxonoda	12		-	-	-	-
-	F.P.	1.13	105	100	†Revelation P'dilly	105		-	-	-	-
54	F.P.	2.92	60	50	†Self Sealing Sys	50		-	-	-	-
175	F.P.	122.4	223	198	Shire Pharms	201	-1	-	-	-	-
-	F.P.	1.00	9	6	†SkyePharma Wts	8¼		-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Feb 26	% chg on day	Feb 23	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	2347.48	+1.6	2308.57	1757.22	1.42	-	2528.73	1665.31
■ Regional Indices								
Africa (16)	3167.69	+1.8	3111.56	2712.75	2.73	36.56	3553.86	2272.74
Australasia (5)	2643.12	+0.4	2631.60	2000.80	2.33	40.43	2827.34	1929.15
North America (12)	2070.36	+1.8	2034.54	1440.61	0.65	'62.50	2166.39	1398.96

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Feb 27	Day's chge%	Feb 26	Feb 23	Feb 22	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3715.9	+0.3	3704.2	3740.8	3740.0	3009.3	3.95	2.06	15.39	19.12	1493.05
FT-SE Mid 250	4198.7	+0.1	4195.0	4208.0	4197.7	3384.1	3.50	1.74	20.55	24.97	1663.75
FT-SE Mid 250 ex Inv Trusts	4215.9	+0.1	4211.2	4223.2	4213.5	3395.1	3.63	1.79	19.26	26.27	1672.47
FT-SE-A 350	1858.0	+0.3	1853.0	1868.5	1867.4	1503.6	3.85	1.88	16.27	9.89	1527.30
FT-SE-A 350 Higher Yield	1860.4	+0.4	1853.6	1871.9	1870.3	1527.8	4.75	1.84	14.27	8.37	1267.99
FT-SE-A 350 Lower Yield	1860.4	+0.2	1857.4	1870.1	1869.1	1479.1	2.90	2.26	19.12	11.54	1276.03
FT-SE SmallCap	2044.61	——	2045.59	2048.02	2041.93	1691.90	3.09	1.81	22.38	5.56	1657.49
FT-SE SmallCap ex Inv Trusts	2023.69	——	2024.51	2025.97	2020.09	1671.41	3.30	1.90	19.95	4.89	1648.91
FT-SE-A ALL-SHARE	1834.62	+0.2	1830.26	1844.41	1842.98	1487.00	3.79	1.98	16.62	9.40	1532.09

■ FT-SE Actuaries All-Share

	Feb 27	Day's chge%	Feb 26	Feb 23	Feb 22	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3219.61	+0.2	3213.16	3240.32	3235.43	2578.19	4.02	1.51	20.56	22.58	1363.84
12 Extractive Industries(6)	4199.82	+1.4	4142.00	4182.41	4169.28	3381.82	3.78	2.39	13.83	85.48	1228.98
15 Oil, Integrated(3)	3241.39	-0.1	3245.80	3272.48	3265.33	2577.30	4.26	1.36	21.57	16.24	1405.19
19 Oil Exploration & Prod(15)	2212.13	+0.7	2201.82	2219.85	2217.06	1898.87	2.21	1.46	38.61	0.00	1316.60
20 GEN INDUSTRIALS(276)	2048.95	+0.2	2044.72	2049.21	2039.97	1782.52	4.04	1.88	16.45	2.20	1101.39
21 Building & Construction(34)	1071.62	......	1071.27	1073.83	1070.65	916.77	3.77	2.02	16.38	1.16	883.85
22 Building Matls & Merchs(29)	1887.82	+0.2	1883.36	1887.07	1886.42	1661.22	3.97	2.03	15.52	0.61	937.26
23 Chemicals(23)	2498.33	+0.4	2488.22	2485.34	2472.41	2123.60	4.00	2.02	15.46	1.34	1164.05
24 Diversified Industrials(21)	1763.23	+0.7	1750.23	1764.19	1771.19	1767.13	5.59	1.48	15.08	3.32	965.87
25 Electronic & Elect Equip(38)	2363.06	-0.6	2378.33	2374.52	2346.34	1878.69	3.05	1.95	21.06	2.04	1213.42
26 Engineering(71)	2310.39	+0.1	2307.82	2300.02	2282.27	1723.79	3.23	2.24	17.30	3.55	1385.06
27 Engineering, Vehicles(13)	2617.59	-0.2	2623.46	2624.99	2612.88	2042.94	3.81	1.26	25.36	0.28	1334.73
28 Paper, Pckg & Printing(26)	2696.67	+0.5	2686.53	2711.89	2692.93	2761.81	3.71	2.53	13.33	0.61	1107.19
29 Textiles & Apparel(19)	1494.11	-0.1	1495.97	1495.23	1481.13	1441.44	4.66	1.75	15.36	2.51	887.62
30 CONSUMER GOODS(91)	3591.97	+0.1	3589.65	3627.53	3626.06	2816.35	3.84	1.74	18.67	11.87	1307.82
32 Alcoholic Beverages(9)	2794.00	+1.0	2767.28	2795.93	2797.19	2548.99	4.35	1.67	17.21	28.48	898.60
33 Food Producers(23)	2520.97	......	2519.90	2533.19	2532.29	2329.79	4.32	1.70	16.96	4.64	1120.05
34 Household Goods(15)	2558.45	+0.2	2553.22	2555.62	2557.95	2472.69	3.78	2.15	15.60	1.96	961.31
36 Health Care(20)	1932.62	+0.2	1929.73	1945.19	1953.68	1606.69	2.65	1.76	28.71	2.08	1161.70
37 Pharmaceuticals(13)	5112.05	+0.1	5109.09	5178.39	5165.30	3496.14	3.24	1.69	22.84	12.95	1711.65
38 Tobacco(1)	4756.40	-1.2	4815.70	4870.76	4891.93	3487.76	5.04	1.94	12.79	0.00	1150.72
40 SERVICES(253)	2320.22	+0.3	2312.60	2321.80	2327.43	1825.73	2.99	2.10	19.86	13.04	1195.77
41 Distributors(32)	2604.40	+0.1	2602.89	2586.29	2583.45	2262.57	3.72	1.82	18.45	0.00	947.88
42 Leisure & Hotels(23)	2891.97	+0.9	2865.97	2887.15	2899.98	2067.19	2.68	2.09	20.76	104.50	1538.03
43 Media(46)	3846.95	+0.6	3822.24	3831.68	3839.56	2705.59	2.19	2.13	26.72	11.63	1381.21
44 Retailers, Food(15)	1879.02	+0.1	1878.07	1889.19	1914.60	1760.04	3.69	2.41	13.36	2.85	1178.32
45 Retailers, General(43)	1904.23	......	1904.86	1916.34	1922.48	1405.73	3.12	2.23	17.98	5.57	1076.58
47 Breweries, Pubs & Rest.(24)	2970.65	+0.2	2965.62	2977.79	2979.81	2121.22	3.32	2.06	18.05	15.62	1416.46
48 Support Services(49)	2098.26	——	2099.38	2095.17	2075.60	1438.94	2.28	2.52	21.76	2.88	1322.27
49 Transport(21)	2304.26	+0.7	2287.49	2298.09	2300.11	2147.48	3.76	1.39	23.91	3.84	947.87
60 UTILITIES(33)	2449.76	+0.1	2448.07	2462.47	2465.94	2311.41	5.06	2.07	11.98	27.42	1036.32
62 Electricity(12)	2770.16	+0.1	2767.34	2778.88	2774.19	2417.67	5.01	2.60	9.60	105.57	1341.19
64 Gas Distribution(2)	1586.28	+0.8	1573.49	1596.62	1577.30	1924.41	7.55	1.37	12.06	0.00	795.86
66 Telecommunications(7)	2011.40	-0.1	2012.72	2021.90	2033.73	1930.22	4.20	1.77	16.83	0.15	910.46
68 Water(12)	2071.23	-0.1	2074.21	2087.77	2095.57	1737.38	5.89	2.60	8.17	3.61	1123.21
69 NON-FINANCIALS(667)	1938.76	+0.2	1935.14	1948.29	1945.48	1606.63	9.88	1.89	17.25	9.67	1453.32
70 FINANCIALS(108)	2320.15	+0.5	2904.63	2954.46	2949.21	2124.23	3.97	2.48	12.68	17.83	1240.76
71 Banks, Retail(6)	4119.98	+0.8	4087.74	4161.06	4174.05	2781.83	3.73	2.82	11.88	39.82	1333.40
72 Banks, Merchant(6)	3505.85	+0.2	3497.53	3501.07	3505.75	2942.07	2.86	2.41	19.53	0.00	1099.05
73 Insurance(24)	1425.37	+0.5	1412.70	1443.89	1439.25	1178.60	5.42	2.89	8.00	2.36	1046.38
74 Life Assurance(6)	3544.34	+0.5	3528.10	3567.39	3553.89	2427.82	3.94	1.53	20.74	0.00	1443.97
77 Other Financial(23)	2525.55	-0.4	2536.94	2539.84	2543.96	1824.02	3.58	1.90	18.39	1.06	1416.65
79 Property(41)	1448.26	-0.1	1449.14	1454.64	1451.82	1382.57	4.31	1.31	22.19	2.84	879.89
80 INVESTMENT TRUSTS(126)	3125.77	-0.1	3129.18	3144.23	3133.17	2564.71	2.16	1.04	55.73	9.68	1065.17
89 FT-SE-A ALL-SHARE(901)	1834.62	+0.2	1830.26	1844.41	1842.98	1467.00	3.79	1.98	16.62	9.40	1532.09
FT-SE-A Fledgling	1149.93	——	1150.08	1149.72	1147.96	962.25	2.95	2.22	19.14	3.10	1191.23
FT-SE-A Fledgling ex Inv Trusts	1150.30	——	1150.14	1149.58	1147.83	962.15	3.23	2.39	16.23	3.26	1190.88

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3702.6	3710.3	3721.0	3716.1	3716.5	3717.6	3720.6	3717.0	3716.0	3723.2	3697.8
FT-SE Mid 250	4190.2	4190.2	4192.7	4195.4	4196.6	4197.0	4198.3	4198.8	4198.1	4199.3	4189.5
FT-SE-A 350	1852.0	1855.0	1859.4	1857.7	1858.0	1858.5	1859.8	1858.4	1858.0	1860.3	1849.9

Time of FT-SE 100 Day's high: 10:21 AM Day's low: 8:41 AM. FT-SE 100 1996 High: 3781.3 (02/02/96) Low: 2954.2 (23/01/95).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1085.1	1086.7	1085.1	1083.5	1083.1	1080.1	1081.4	1081.7	1082.7	1082.7	1084.2	-1.5
Pharmaceutcls	5050.5	5055.8	5066.1	5065.1	5068.1	5067.7	5067.2	5061.9	5057.0	5057.0	5054.2	2.8
Water	2065.3	2066.5	2068.2	2067.7	2068.1	2067.6	2067.8	2066.8	2063.6	2063.6	2066.2	-2.6
Banks, Retail	4142.5	4153.5	4177.8	4162.1	4162.4	4164.3	4172.5	4175.8	4171.5	4172.6	4139.9	32.7

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.
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TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 27 / Sch)

BELGIUM/LUXEMBOURG (Feb 27 / Frs.)

CZECH REP (Feb 27 / Korona)

DENMARK (Feb 27 / Kr)

FINLAND (Feb 27 / Mkk)

FRANCE (Feb 27 / Frs.)

GERMANY (Feb 27 / Dm.)

GREECE (Feb 27 / Drachma)

ITALY (Feb 27 / Lira)

NETHERLANDS (Feb 27 / Fls.)

NORWAY (Feb 27 / Kroner)

POLAND (Feb 27 / Zloty)

PORTUGAL (Feb 27 / Escudo)

SPAIN (Feb 27 / Pts.)

SWEDEN (Feb 27 / Kronor)

SWITZERLAND (Feb 27 / Frs.)

TURKEY (Feb 27 / Tk Lira)

PACIFIC

JAPAN (Feb 27 / Yen)

HONG KONG (Feb 27 / H.K.$)

INDONESIA (Feb 27 / Rupiah)

MALAYSIA (Feb 27 / MYR)

NEW ZEALAND (Feb 27 / NZ $)

SINGAPORE (Feb 27 / S$)

SOUTH KOREA (Feb 27 / Won)

TAIWAN (Feb 27 / TW $)

THAILAND (Feb 27 / Baht)

AUSTRALIA (Feb 27 / Aust$)

AFRICA

SOUTH AFRICA (Feb 27 / Rand)

NORTH AMERICA

CANADA

TORONTO (Feb 27 / Can $) 4 pm close

MONTREAL (Feb 27 / Can $) 4 pm close

INDICES

■ INDEX FUTURES

■ CAC-40

■ OMX

■ DAX

■ SOFFEX

US INDICES

Dow Jones	Feb 26	Feb 23	Feb 22	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5565.10	5630.49	5608.46	5630.49 (23/2/96)	3832.08 (30/1/95)	5630.49 (23/2/96)	41.22 (2/7/32)
Home Bonds	105.01	105.08	105.31	108.09 (14/2/96)	93.63 (3/1/95)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2079.24	2104.03	2111.37	2111.37 (22/2/96)	1473.18 (3/1/95)	2111.37 (22/2/96)	12.32 (8/7/32)
Utilities	223.94	225.89	228.69	234.00 (12/2/96)	183.03 (3/1/95)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5647.83 (5683.36) Low 5530.42 (5549.32) (Theoretical)
Day's high 5629.00 (5656.03) Low 5558.88 (5560.41) (Actual)

Standard and Poors	Feb 26	Feb 23	Feb 22	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	650.46	659.08	658.86	661.45 (12/2/96)	459.11 (3/1/95)	661.45 (12/2/96)	4.40 (1/6/32)
Industrials¥	766.02	776.12	776.23	776.23 (22/2/96)	546.28 (3/1/95)	776.23 (22/2/96)	3.62 (21/6/32)
Financial	66.89	67.69	66.97	67.69 (23/2/96)	41.54 (3/1/95)	67.69 (23/2/96)	8.64 (1/10/74)
NYSE Comp.	346.85	350.94	350.85	351.70 (12/2/96)	250.73 (3/1/95)	351.70 (12/2/96)	4.46 (25/4/42)
Amex Mkt Val	565.25	569.27	570.16	570.16 (22/2/96)	433.12 (6/1/95)	570.16 (22/2/96)	28.31 (9/12/72)
NASDAQ Cap	1113.04	1117.79	1117.11	1117.79 (23/2/96)	743.58 (4/1/95)	1117.79 (23/2/96)	54.87 (31/10/72)

■ RATIOS

	Feb 23	Feb 16	Feb 9	Year ago
Dow Jones Ind. Div. Yield	2.12	2.18	2.13	2.89
	Feb 21	Feb 14	Feb 7	Year ago
S & P Ind. Div. yield	1.88	1.87	1.88	2.36
S & P Ind. P/E ratio	10.90	20.07	18.86	19.57

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Hanson	9,492,000	14⅞	-⅛
Sica Grphcs	8,481,700	25¼	-2⅛
British Pet	7,386,100	98	-⅛
Micron	4,040,500	38¾	-1
Gen Motors	3,537,500	51⅞	+1
EMC Corp	3,629,200	19⅝	+⅛
Ford Motor	3,288,900	30¾	+⅛
Compaq	3,281,900	52¼	+⅛
RTZ	3,205,400	56½	-1
Cray Rsch	3,085,000	28⅞	+3⅞

■ TRADING ACTIVITY

● Volume (million)

	Feb 26	Feb 23	Feb 22
New York SE	395.179	439.133	465.447
Amex	21.147	21.735	31.070
NASDAQ	466.064	594.393	655.842
NYSE			
Issues Traded	3,098	3,117	3,104
Rises	789	1,104	1,761
Falls	1,610	1,253	657
Unchanged	699	760	686
New Highs	123	206	178
New Lows	26	18	16

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	649.00	646.10	-2.75	651.40	646.10	91,506	164,558
Jun	657.50	652.50	-2.50	657.50	652.50	7,489	33,807

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	20340.0	20010.0	-540.0	20360.0	19980.0	34,550	132,680
Jun	20370.0	20050.0	-500.0	20380.0	20010.0	35,963	104,050

Open interest figures for previous day.

‡ Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation.

... day's highs and lows are the averages of the highest and lowest prices reached during the day by each ... highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached ... brackets are previous day's). ¥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, February 27, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nisseki Hse Ind	7.9m	564	+56	Fudo Const	4.5m	1030	-50
NKK Corp	7.1m	289		Nippon Metal Ind	4.2m	536	-21
Sumitomo Mtl Ind	6.7m	301	-2	Toshiba Corp	4.1m	817	-5
Nippon Stl Corp	5.5m	337	+1	Shinko Elect	3.8m	686	+9
Daido Stl Sheet	5.3m	2280	-40	Oki Elect Ind	3.3m	894	-6

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4 pm close February 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg. Prev. Close
22⅛	12⅛	AAR	0.48	2.4	23	151	16¾	19½	19⅝	-⅛
48¼	35	AMP	1.00	2.3	22	4306	43⅛	43	43¼	-⅜
89⅝	53⅜	AMR			35	6178	88¼	86¾	67	-1¼
50½	36⅛	ASA x	2.00	4.3	30	1087	47¾	46⅝	46¾	-1¼
44¾	30¾	AbbtL	6.96	2.4	10	17792	41⅜	40⅜	40½	-⅛
18⅞	12	AbitibiPr	0.40	2.7	7	3061	15⅝	14½	14⅝	-⅞
29⅝	21	ABM Ind	0.78	2.4	15	20	29½	29¼	29½	
17½	13⅛	Acptncdo			16	208	14⅞	14⅝	14⅛	
60⅜	21⅞	ACE Ltd	0.56	1.2	11	502	47¾	46½	47¼	-⅛
0⅞	8½	ACM Gvt In	0.90	9.2	0	228	u9⅞	9¾	9¾	
7⅞	6½	ACM GvOpp	0.68	8.5		237	7¾	7⅝	7¾	
7½	5¾	ACM Gvt So	0.75	16.8		349	7	9⅞	6⅞	
0⅛	7⅛	ACM Gvt Se	0.90	10.8		125	9	8⅞	0	
8½	7⅝	ACM Man	0.90	0.7		180	6¾	9⅛	9¼	
20¼	16¼	AcmeCly	0.52	2.7	4	321	19⅛	18⅞	18¾	+¼
39¾	9⅞	Acme Elect			57	92	7⅛	6⅞	6⅞	-¼
34½	23¾	Acordia	0.72	2.5	15	27	28⅛	28	28⅛	+⅜
16¾	10⅛	Acuson			48	335	14⅞	14⅝	14¾	+⅛
19⅝	19⅝	Adams Expr x	6.36	1.9	6	89	19⅛	19⅛	19⅛	
36⅞	19⅛	AdvMic			8	4834	18⅞	19⅝	19¾	
10¾	5	Advest Grp	0.18	1.7	6	53	9⅝	9⅜	9⅞	-⅛
27⅛	16½	Advo Inc	0.10	0.5	22	512	21⅜	21⅜	81⅜	
46¾	24.80	Aegon	1.28	2.9	10	63	43¾	43	49⅝	+⅛
5⅞	3⅜	Aerflx			6	510	5	4¾	5	
76¾	46⅛	AetnaL	2.76	3.9	34	3451	72	70⅝	71½	-¼
49½	31⅞	Aflac x	0.52	1.1	14	1327	49⅛	48½	49⅛	+½

- B -

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Continued on next page

NYSE COMPOSITE PRICES

4 pm close February 27

Continued from previous page

1995/96 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
16¼	9	SFeGd	0.96	0.3	32	3972	16⅛	15¾	15⅞	-⅝
38⅝	30½	SFePPpe	3.00	8.8	10	95	37⅞	37½	37½	-⅛
35½	24¼	SaraLee	0.76	2.3	19	5458	33⅞	33½	33⅝	+⅝
60¼	36⅝	SBC Cm	1.65	3.0	17	8238	55⅞	54⅞	55½	+⅝
29⅝	20½	Scana Corp	1.47	5.4	16	643	27¾	27¾	27¼	-⅛
11¼	5⅞	SchawkA	0.20	2.9	21	60	0	8½	9	+¼
50¼	37¼	ScherenRP			23	599	45⅛	44½	44⅞	+¾
60⅞	35½	SchrPl	1.16	2.1	23	8234	56⅝	55¾	56½	+⅝
76	50⅝	Schlmb	1.50	2.8	27	6287	74	72⅝	73¼	-⅝
29	11¼	SchwabCh	0.16	0.6	29	3410	26	25⅛	25¾	-⅛
28⅞	20⅝	SchwdMaud				2845	u28½	28	28⅛	
24⅞	11⅝	SciAtl	0.06	0.4	27	3583	17¾	17	17	-⅝
20	15⅛	ScotmanA	0.10	0.6	10	108	17¼	17⅛	17½	-⅛
43½	26⅞	Scrippsx	0.52	1.2	24	1905	42	41⅝	41⅝	-⅜
21½	13⅞	ScudrNAsF	0.02	0.1		233	16¼	16⅛	16¼	-½
11⅞	8⅝	ScudrNSuF	0.16	1.4		414	11⅝	11⅝	11½	+¾
28	15⅝	SeaCnt	0.70	4.1	1	40	16⅞	16¾	16⅞	
16¾	14⅞	SeaCT 4825	1.40	8.3		0	15¾	15⅝	15¾	-⅛
67¾	23⅝	Sgate			12	10726	67½	66⅝	66¼	-⅞
39½	25⅝	Seagrm	0.60	1.7	34	5161	32	34¼	34⅞	-¼
22½	15¼	Seagull En			893	869	20¼	19¾	19⅞	-¾
32⅝	18	Sealed Air			23	408	31	29½	29½	-1¼
48⅛	30⅜	SearsRl x	0.92	2.0	12	9518	48⅝	45⅝	45⅞	-½
21⅞	16⅜	SecCapSBI	1.24	5.7	25	848	21⅝	21⅝	21⅝	+⅛
13	10⅝	Seligm Sel x	0.84	6.7		199	12¾	12⅝	12⅝	-⅛
38¼	13⅞	Sensormat	0.22	1.0	79	5686	22	22¼	22¾	-⅝
35¼	21⅞	SequaA	0.80	1.8	15	22	34⅜	34	34	-⅜
41⅝	23	SequaB	0.80	1.2	21	2	40⅞	40¾	40¾	

1995/96 High	Low	Stock	Div	Yld %	P/E
17⅛	12½	Talley Pf	1.00	0.0	
53	37⅞	Tambrds	1.64	3.8	28
19¾	9¾	Tandem			15
64⅜	34¾	Tandy	0.60	1.6	13
10¼	9	Taurus Mun x	0.68	0.8	
3	1⅛	TCCInd			13
27	28	Teco Energy	1.06	4.1	17
01⅞	21½	Tromr	0.60	7.3	17
30¼	2¼	TeleDa	0.83	3.1	2
25⅞	10¾	Teldyn	0.40	1.4	9
48½	33¼	TeleEspSA	1.27	2.0	17
41½	23	Telmex	0.67	2.7	103
55¾	39⅞	Templel	1.20	2.9	8
22⅝	16⅝	TempltEmMk	0.27	1.3	
7¾	6¼	TempltGlob x	0.60	8.4	
7½	6⅜	TempltInFd	0.60	0.3	
55½	41⅞	Tenneco e	1.00	5.5	13
37¼	25¼	Tepaco Pts	2.00	7.5	12
43	16	Teradyne			11
7⅞	3½	Terex	0.06	1.2	1
16⅞	9¼	Tesra Inds x	0.12	1.0	6
12	7¼	Tesoro			2
83⅝	59¾	Texaco	3.20	4.0	31
62¼	30⅞	Texas Ind	0.48	0.7	11
83½	34½	TxInst	0.68	1.3	81
32½	17	Texas Pac	0.40	1.3	24
42⅞	30¾	TxUtil	2.80	5.0	60
3⅞	2½	Textl Inds	1.10	40.0	1
82	48⅝	Textrn	1.56	2.0	14
5⅝	3⅞	Thackeray			73
19	13⅛	Thai Cap	1.90	12.6	

- X - Y - Z -

1995/96 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
144⅞	98½	Xerox	3.48	2.6	18	3538	134⅝	133¼	134⅝	+1
52½	38¾	Xtra Corp x	0.72	1.6	14	100	44⅝	44⅞	44½	-⅛
25¾	18½	Yankee Egy	1.28	5.3	18	34	23¾	23⅞	23¾	
48¾	34¾	York Int	0.24	0.5	20	748	u48¾	48⅛	48⅛	-⅛
4½	2½	Zapata	9.14	3.3	9	308	2⅞	3⅞	3⅞	
12½	5⅞	ZenithEl			3	558	6⅞	6¼	6¼	
24⅝	18⅞	Zenith Nat	1.00	4.3	64	15	23⅞	23⅞	23⅞	-⅛
7⅞	6⅛	Zemis Inc	0.72	10.7		62	7	6¾	6¾	-⅛
17⅞	12⅝	Zero	0.44	2.5	17	337	17⅝	17¼	17½	+⅛
28	18⅞	Zurn Ind	0.40	1.8	16	258	22¼	21¾	21¾	-⅛
11⅝	10¼	Zweig Fund	1.12	10.3		247	11	10⅞	10⅞	-⅛
9	7⅞	Zweig Tot	0.84	9.5		382	8⅞	8¼	8⅞	+⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. s-split. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

‡ Dealings suspended.

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AMEX COMPOSITE PRICES

4 pm close February 27

NASDAQ NATIONAL MARKET

4 pm close February 27

AMERICA

US equities lower on rate rise worries

Wall Street

Data suggesting that the Federal Reserve might not lower interest rates at next month's meeting of its Open Market Committee sent US share prices lower in midday trading, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was off 29.62 at 5,535.48, the Standard & Poor's 500 lost 3.49 at 646.97 and the American Stock Exchange composite was 1.03 weaker at 564.32. New York SE volume was 246m shares.

The Nasdaq composite slipped 4.32 to 1,108.73 and the Pacific Stock Exchange technology index was 0.6 per cent lower.

Just after noon the Dow was down more than 50 points, triggering the "uptick rule" that restricts program selling. Yesterday marked the sixth consecutive session in which the volatile market has traded with restrictive collars.

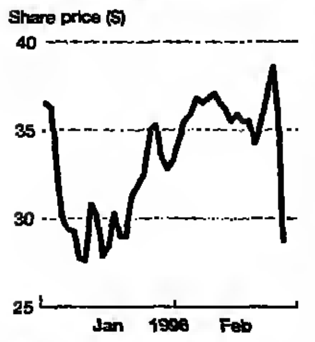
Yesterday's data was mixed, with figures on January producer prices posting less of a rise than most economists had expected. But the more recent Conference Board figures on February consumer confidence showed a strong rebound from the January numbers, suggesting that consumers might not be a drag on economic activity.

In individual shares, Microchip Technology tumbled $6⅛ or 19 per cent to $29⅞ after warning that it expected fourth-quarter sales and income to fall below analysts' estimates.

Cephalon dropped $3¾ or 14 per cent to $20⅝ as rumours spread that the biotechnology group would have to mount another trial of myotropin – a drug to treat motor neuron disease. Chiron, which is working with Cephalon on the drug, told news agencies that it had never suggested the drug might need another trial.

Chiron was $⅞ easier at $115⅝ and the American Stock Exchange biotechnology index fell 0.9 per cent.

Microchip Technology



Source: FT Extel

Canada

Toronto was weak for the second consecutive session as lower than expected US producer prices sent mixed signals on economic recovery in the second quarter of this year.

The TSE 300 composite index had dipped 12.92 by noon to 4,944.20 in volume of 40.2m shares.

Placer Dome rose C$¼ to C$39¾ after its president, Mr John Wilson, said that the gold producer expected increased earnings in 1996, compared with the previous two years.

Bombardier edged forward C$⅛ to C$21¼ as the group said that it had decided not to make an offer for the assets of the troubled Dutch aircraft maker Fokker because the risk of such an acquisition was too high.

Telmex helps Mexico

Telmex helped to support the market in **MEXICO CITY.** Brokers said foreign investors were noticeable mainly by their absence, although those who were busy were purchasing the telephone utility.

The IPC index was standing 1.48 points softer at midsession at 2,953.91.

Telmex domestic stock was up nearly 1 per cent by midsession, reflecting a rise in the group's ADRs traded on Wall Street.

Other active stocks were Visa, up 4.7 per cent, and Hylsamex, 3.5 per cent ahead.

SAO PAULO was nearly 1 per cent lower by mid-morning as investors concentrated their attention on a round of debates in the country's congress during the coure of the week.

The Bovespa index had shed 482.50 to 51,970 by noon.

in the senate a vote on the extension of a R$20bn special budget fund, known as the fiscal stabilisation fund, was due to take place tomorrow.

BUENOS AIRES dropped 1.5 per cent at the opening, dogged by selling on Wall Street.

The Merval index registered a decline of 7.32 at 507.25 by midday. On Monday the market closed 2.1 per cent down, but turnover was very low at just 10m pesos.

Traders said industrial production statistics released after the close on Monday were disappointing, but had not taken investors by surprise.

CARACAS followed the general regional trend. By midafternoon the IBC index was down 40.66 or 1.4 per cent at 2,784.86. On Monday the market closed off 2.4 per cent at 2,825.52 in slow trading.

S African industrials retreat

Johannesburg was weak in quiet trade, with industrials taking their lead from Wall Street's early performance and golds marginally down in reaction to a dull bullion price.

The overall index lost 63.5 at 6,723.1, industrials fell 68.6 to 8,326.3 and golds dipped 14.4 to 1,752.5.

Anglo American led the market lower, dropping R5.50 to R257.50. Iscor, the steelmaker, receded 29 cents to R3.25 as the market registered disappointment with the high contribution by extraordinary items to its interim results, announced on Monday.

Sappi slid R3 to R48 after warning shareholders on Monday that lower pulp and paper prices would hurt earnings this fiscal year.

De Beers declined R3.50 to R126.50 while, among gold issues, Vaal Reefs surrendered R7.50 to finish at R375.

EUROPE

Allianz and bond yields lead Frankfurt advance

The US data went down well in **FRANKFURT.** While a 33 per cent rise in profits at Allianz merely supported the market during the session, the big insurer led equities up after hours. The Dax index closed 10.36 higher at an Ibis-indicated 2,449.09, Allianz coming out DM48 ahead at DM2,816 on its profits, its beta status and its response to easing bond yields in the US.

Turnover came back from DM8.3bn to DM7.7bn. The better tone did not save MAN, down another DM10.70 at DM409.50 after Monday's disappointing first-half results; DB Research lowered its recommendation for the truckmaker and engineer from neutral to underweight, short term.

There was a better reception for Bilfinger & Berger, up DM14 at DM585, although the construction group forecast a flat 1996 after a profits downturn in 1995. Meanwhile, speculators took Bremer Vulkan up DM4.20 or 35.6 per cent to DM16 after the banks gave the embattled shipbuilder a two-month reprieve.

PARIS suspended Chargeurs at FFr1,201 ahead of its demerger announcement during the course of the afternoon. But the story whetted speculative appetites as the CAC-40 index rose 13.59 to 1,974.52.

Valeo, which did trade, advanced FFr13.50 or 5.1 per cent to FFr279 as reports circulated that Mr Carlo de Benedetti, the Italian businessman, might sell his 28 per cent stake in the car parts group.

MILAN, too, saw action in rumour driven stocks as the Comit index edged 0.47 higher to 593.53, helped by gains in the lira and bond futures.

Companies in Mr Carlo de Benedetti's stable firmed the Valeo rumours. The stake is held through Cerus, a French holding company, which said late in the day that no decision had been taken, but that investment bankers had been asked to undertake a strategic study. Cir, the holding company, advanced L14.4 to L864, Cofide L32.6 to L601 and Olivetti L2 to L837.

Elsewhere, Snia, the fibres and chemicals holding company, and other Fiat-controlled companies, were sharply higher on renewed speculation that the motor group planned a sell-off as it refocused on its core business.

Snia moved ahead L48 to L1,431, while Snia Fibre jumped L27 to L640. Caffaro, the chemicals group, rose L45 to L1,515 and Sorin, the bio-engineer, by L139 to L4,600.

AMSTERDAM ran individual features as the AEX index finished 0.34 firmer at 507.60.

Océ-van der Grinten, the manufacturer of photo copying machines, rose another Fl 4.40 to Fl 131.50 after its positive 1995 earnings announcement on Monday and forecast for another strong rise in 1996, particularly in the US.

On the secondary market, which is mainly where domestic investors trade, Fokker lost 10 cents to Fl 2.10 after Bombardier, of Canada, said that it had called off talks, and had decided not to make an offer for the ailing regional aircraft maker.

Hagemeyer rose 70 cents to Fl 100.20 as it published 1995 results which came within the range of most analysts' forecasts. Akzo Nobel lost another Fl 1.40 to Fl 181.50, as the shares continued to reflect disappointment with Monday's set of 1995 figures.

ZURICH saw selective demand for blue chips which took the SMI index 11.3 higher to 3,309.9.

UBS bearers rose SFr16 to SFr1,241, with Mr Martin Ebner's BZ Bank said to be a buyer. Attention had been refocused on UBS this week after Mr Stephan Schmidheiny, the industrialist, confirmed that he had taken a stake by buying almost 1m registered shares.

Alusuisse fell SFr8 to SFr933, still pressured by Monday's news that the company planned a SFr70m increase in authorised capital.

BBC lost SFr10 to SFr1,443 on profit-taking ahead of today's profits figures of ABB Asea Brown Boveri.

Swissair fell SFr7 to SFr1,083 following 1995 figures from the Belgian airline Sabena, in which the Swiss flag carrier has a 49.5 per cent stake.

STOCKHOLM's affinity with bond yields, a bounce in Volvo and a 2.8 per cent gain in forestries took it to all-time highs, the Affärsvärlden General index climbing 14.1 to 1,878.0 in turnover of SKr3.4bn.

Volvo B moved forward SKr5 to SKr142.50 after a newspaper article said that its car division would replace its entire product range over the next four years. SSAB, the steelmaker, reported record profits, forecast a squeeze on margins, and saw its shares gain SKr1.50 at SKr78.50.

ISTANBUL closed at another all-time high on continuing hopes that a coalition government would soon be formed between Turkey's two leading conservative parties.

The composite index, which jumped 10 per cent on Monday, rose another 2,441.46 or 4.1 per cent to 61,673.52 in turnover that surged to an all-time peak of TL2,640bn.

Brokers noted, however, that profit-taking had pulled the index back from its historic intra-day high of 62,971.97.

PRAGUE climbed to a high for the year as the PX50 index of leading shares gained 2.4 or 0.5 per cent at 466.0. Turnover was Kcs1.1bn.

Among active stocks, Ceska Sporitelna, the country's largest savings bank, leapt nearly 2.5 per cent, or Kcs5 to Kcs195. Brokers suggested that the company's advance this week – the stock was also up 2.5 per cent on Monday – could be put down to comments from the bank at the end of last week that it would issue a GDR by the summer.

WARSAW was slightly higher for the second consecutive session, but the main news was in Zasada, the automotive group, which surged another 10 per cent after Monday's 9.6 per cent rally on reports that the company would extend a co-operation agreement with Mercedes-Benz of Germany.

The WIG index rose 0.8 per cent to 10,502.1 as turnover fell 12.5 per cent to 91.8m zlotys.

BUDAPEST paused for breath after Monday's 6 per cent gain after the nomination of a new finance minister. The BUX index eased 0.92 to 2,222.67. Turnover rose to Ft1bn from Monday's Ft957m.

TEL AVIV was affected by a negative showing in Koor Industries, which dropped 3 per cent to Shk30,258 in turnover of Shk4m.

The Mishtanim index lost 0.27 to 209.74 in turnover of Shk85m shekels against Monday's Shk81m.

Nice Systems, the day's most active share, surged 6.5 per cent to Shk2,542 in high volume of Shk5.2m following an overnight rise of 7.6 per cent in its shares traded on Wall Street. Since the beginning of the week Nice has gained 21.5 per cent locally.

Written and edited by William Cochrane, Michael Morgan and John Pitt

FT-SE Actuaries Share Indices

Feb 27								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1548.50	1548.70	1551.56	1552.46	1552.95	1556.08	1557.42	1556.41
FT-SE Eurotrack 200	1643.89	1643.48	1644.10	1643.82	1642.82	1646.13	1645.49	1643.14

	Feb 26	Feb 23	Feb 22	Feb 21	Feb 20
FT-SE Eurotrack 100	1551.85	1557.27	1536.56	1521.58	1510.94
FT-SE Eurotrack 200	1646.19	1658.13	1645.12	1630.06	1623.43

Base value 1000 (26/10/90) High/day: 100 - 1558.47; 200 - 1646.86 Low/day: 100 - 1546.05 200 - 1641.85. † Partial.

ASIA PACIFIC

Nikkei sheds 2.3% on combination of negative news

Tokyo

Equities lost 2.3 per cent, testing the 20,000 level as the overnight drop on Wall Street, the higher yen and rising long-term interest rates hit investor confidence, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index fell 479.87 to 20,000.40 after fluctuating between 19,977.48 and 20,426.65. Futures lost ground due to overnight weakness in Chicago and fears of higher interest rates. This prompted arbitrage unwinding which hit underlying cash prices.

Volume was estimated at 350m shares, against Monday's 296m. Although some foreign investors bought high-technology stocks and institutional investors placed buy orders at lower levels, technical trading led activity and most investors stayed away.

The Topix index of all first section stocks lost 13.75 or 1.2 per cent at 1,553.37 and the Nikkei 300 was down 3.90 or 1.3 per cent at 299.80. Declines led advances by 849 to 214, with 151 issues unchanged.

But in London the ISE/Nikkei 50 index put on 2.91 at 1,354.44.

Futures selling sparked off fears of possible unwinding of the record high outstanding arbitrage balance of 3.3bn shares. Rumours that US hedge funds were selling in the futures market also fuelled technical selling.

Uncertainty over the housing loan bailout scheme depressed banks. Leading politicians of the ruling coalition government had called for an increased loss burden on the commercial banks, which set up the defunct *jusen*, or housing loan companies. Dai-Ichi Kangyo Bank declined Y50 to Y1,940 and Fuji Bank Y100 to Y2,110.

Green Cross, one of the five drug companies ordered to compensate haemophiliacs who had contracted the HIV virus through untreated blood products, continued to weaken, falling Y5 to Y627. It admitted that it had continued to distribute tainted blood products even after the Ministry of Health and Welfare had ordered a recall, and the company had submitted reports of a complete collection of its untreated products.

Exporters were hit by the fall in the dollar. Toshiba slipped Y5 to Y817 and Fujitsu Y10 to Y1,070. Car shares were also lower, with Toyota Motor down Y20 to Y2,250.

In Osaka, the OSE average fell 183.11 to 21,633.78 in volume of 33.6m shares. The high yen hit Nintendo, the video game maker, which fell Y170 to Y7,000.

Roundup

Early gains were reversed in **TAIPEI** as volume drifted down. The weighted index, 41 points higher at one stage, finished down 6.22 at 4,769.64.

A government-promoted fund continued to enter the market and lifted prices in early trade. But the lack of confidence caused by strained Taiwan-China relations soon dragged the index down.

The government said that China was building up 150,000 troops for a military exercise on its south-eastern coastline in a move aimed at influencing the outcome of Taiwan's first direct presidential elections on March 23.

Selling by foreign institutions was seen in electronics. Mosel plunged by the daily 7 per cent limit to T$66.5.

HONG KONG featured a HK$2.50 spurt by Hang Seng Bank to HK$74.75 in response to Monday's report of a surge in 1995 operating profits and on what was regarded as its promising growth potential.

Elsewhere, the market took its lead from index futures and the Hang Seng index finished 13.40 weaker at 11,197.02, up from a low of 11,107.75. Turnover remained thin at HK$5bn.

HSBC, whose results came in at the high end of estimates, slipped 50 cents to HK$124.50 as brokers commented that its 51 per cent surge in bad debt charges was still not enough.

SINGAPORE was weak on profit-taking in blue chip banks, properties and shipyards after their recent sharp gains. The Straits Times Industrial index fell 25.55 to 2,445.57.

CAM Mechatronic was again actively traded, picking up 4 cents to 92 cents on speculation of a takeover after two top executives sold shares.

KUALA LUMPUR pulled back on expensive share prices, rising US bond yields, and technical resistance at 1,100 on the composite index. The KLSE composite index ended 12.87 or 1.2 per cent lower at 1,077.19.

Bank shares were pulled down by worries of possible financial fallout from alleged very heavy losses at the state-owned steelmaker Perwaja.

BANGKOK moved slightly higher, after falling for five consecutive trading days, as domestic investors bought blue chips only two minutes before the close. The SET index gained 3.29 at 1,333.86 on Bt5.4bn turnover.

Brokers put down the rise to technical trading, with Thai Farmers Bank topping the list of active stocks in terms of value, and making Bt4 to Bt188. Finance One, the country's largest finance company, firmed Bt2 to Bt148.

SYDNEY fell back in a holding pattern ahead of Saturday's general election. The All Ordinaries index shed 7.4 to 2,256.7. Turnover was A$470.5m in volume of 210.76m shares.

Arnotts was steady at A$8.52 after announcing slightly improved half-year net profits. The golds index eased 10.6 to 2,102.6, with Plutonic off 25 cents at A$7.25, but Newcrest rose 8 cents to A$5.95.

WELLINGTON was supported by a good rally in Telecom, up 9 cents at NZ$6.61, while the NZSE-40 Capital index made 5.37 to 2,133.45.

Turnover, at NZ$65m, was boosted by a crossing of 18m shares in Brierley as the stock rose a cent to NZ$1.28.

MANILA succumbed to a further bout of profit-taking as the composite index fell 39.74 or 1.3 per cent to 2,893.92 in heavy turnover of 6.6bn shares.

KARACHI fell back on what brokers described as position-squaring by domestic investors who held speculative stocks. The KSE 100-share index fell 27.78 or 1.5 per cent to 1,750.24. Losers led gainers by 183 to 76.

PTCL retreated Rs1.30 to Rs37.86 on reports that the government had asked the group to make a payment of Rs65.7bn in excise duty.

BOMBAY was broadly lower in sluggish trade attributed to dealers staying away to watch the World Cup cricket match between India and Australia being played in the city.

The 30-share BSE index dropped 18.81 to 3,519.29.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY FEBRUARY 26 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY FEBRUARY 23 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	196.74	0.3	189.42	128.68	148.02	172.52	0.3	3.86	196.22	188.96	130.08	148.05	172.47	200.22	158.79	183.61
Austria (26)	190.06	0.2	182.99	123.27	142.99	142.85	-0.1	1.51	189.67	182.56	125.74	143.11	142.98	199.28	166.11	182.05
Belgium (34)	211.98	0.3	204.09	138.72	159.48	155.58	0.0	3.39	211.27	203.35	140.06	159.41	155.57	215.81	172.86	173.15
Brazil (28)	164.33	-0.2	158.21	108.31	123.63	297.37	-0.1	1.56	164.74	158.56	109.21	124.30	297.75	170.25	86.06	125.91
Canada (101)	154.34	-0.4	148.60	101.73	116.11	153.87	-0.1	2.44	154.91	148.71	102.43	116.59	154.08	158.71	125.54	126.03
Denmark (33)	305.17	0.3	293.82	201.14	229.58	232.21	0.0	1.62	304.21	292.80	201.67	229.53	232.18	305.17	252.41	260.29
Finland (24)	185.75	-1.2	178.84	122.43	139.75	175.40	-1.1	1.82	187.99	180.94	124.62	141.84	177.82	276.11	171.13	185.87
France (98)	188.49	-0.4	181.47	124.23	141.80	147.04	-0.6	3.18	189.17	182.07	125.40	142.73	147.95	191.17	151.33	168.25
Germany (60)	173.33	0.0	166.88	114.24	130.40	130.40	-0.3	1.87	173.35	166.85	114.92	130.80	130.75	173.35	142.25	149.68
Hong Kong (59)	437.07	-1.4	420.80	288.07	328.82	433.87	-1.4	3.26	443.06	426.44	293.71	334.29	439.64	451.19	323.87	334.09
Ireland (16)	259.86	-0.1	250.00	171.14	195.38	230.21	-0.2	3.43	259.84	250.10	172.26	196.05	230.52	262.70	205.44	215.21
Italy (59)	73.83	-1.3	71.08	48.66	55.54	85.88	-1.5	1.76	74.79	71.98	49.58	56.43	87.17	82.71	63.45	73.47
Japan (482)	151.91	0.8	146.25	100.12	114.28	100.12	0.2	0.76	150.73	145.07	99.92	113.73	99.92	164.82	136.95	141.34
Malaysia (107)	525.57	0.1	506.01	346.40	395.40	514.98	-0.3	1.63	525.27	505.57	348.21	396.32	516.67	561.99	425.77	463.26
Mexico (18)	1132.48	-1.4	1090.34	746.42	852.00	8354.39	-0.9	1.49	1148.97	1105.88	761.68	866.91	8440.54	1237.14	647.81	849.25
Netherland (19)	280.55	-0.6	270.11	184.91	211.06	207.52	-0.9	3.36	282.13	271.55	187.03	212.87	209.33	283.23	225.09	225.76
New Zealand (13)	81.41	0.2	78.38	53.66	61.25	63.66	0.1	4.56	81.22	78.18	53.85	61.29	63.77	85.49	72.39	73.56
Norway (33)	241.58	-0.5	232.59	159.22	181.75	207.37	-0.4	2.21	242.89	233.78	161.02	183.26	208.94	243.70	202.78	210.77
Singapore (44)	454.98	-0.2	438.03	299.86	342.28	294.78	-0.4	1.37	456.05	438.95	302.33	344.10	296.01	489.21	346.10	352.08
South Africa (45)	402.69	1.3	387.70	265.41	302.95	336.53	0.5	3.55	397.52	382.61	263.53	299.94	334.96	437.78	320.31	306.08
Spain (37)	174.87	-0.1	168.36	115.26	131.56	161.55	-0.4	3.72	175.13	168.56	116.10	132.14	162.20	178.20	124.10	132.09
Sweden (47)	335.98	-0.6	323.48	221.45	252.77	334.81	-0.4	2.20	338.14	325.46	224.16	255.13	336.40	338.14	232.23	244.88
Switzerland (38)	231.42	0.2	222.80	152.53	174.10	168.86	0.0	1.58	230.85	222.20	153.04	174.25	168.79	239.56	171.70	171.70
Thailand (46)	182.57	-0.9	175.77	120.33	137.35	178.28	-1.1	1.99	184.22	177.31	122.12	138.99	180.21	193.66	155.32	148.39
United Kingdom (205)	230.49	-0.9	221.91	151.92	173.40	221.61	-0.8	4.07	232.67	223.94	154.24	175.55	223.94	236.50	192.74	194.72
USA (631)	265.70	-1.2	255.82	175.13	199.90	265.70	-1.2	2.18	269.08	258.97	178.37	203.01	269.08	269.11	197.20	189.82
Americas (776)	242.33	-1.2	233.32	159.72	182.31	203.75	-1.2	2.17	245.29	236.09	162.61	185.07	206.22	245.54	180.00	183.01
Europe (730)	205.22	-0.6	197.58	135.26	154.38	175.42	-0.6	3.02	206.25	198.51	136.73	155.62	176.52	206.25	168.53	171.45
Nordic (137)	291.90	-0.5	281.03	192.39	219.60	251.18	-0.5	2.05	293.45	282.44	194.54	221.41	252.48	295.02	222.22	233.30
Pacific Basin (832)	165.15	0.5	159.02	108.86	124.26	112.20	0.1	1.18	164.28	158.12	108.91	123.95	112.14	171.67	145.95	150.15
Euro-Pacific (1562)	181.76	0.0	174.99	119.79	136.73	136.18	-0.3	2.05	181.67	174.85	120.43	137.07	136.55	183.98	156.37	158.83
North America (732)	258.84	-1.2	249.20	170.60	194.73	258.23	-1.2	2.19	262.01	252.16	173.69	197.69	261.40	262.25	192.77	185.36
Europe Ex. UK (525)	186.59	-0.3	179.65	122.98	140.38	149.16	-0.5	2.44	187.07	180.05	124.01	141.14	149.67	187.07	152.92	154.93
Pacific Ex. Japan (350)	287.71	-0.5	277.00	189.63	216.45	252.03	-0.6	2.92	289.11	278.26	191.66	218.13	253.52	292.69	228.25	235.69
World Ex. US (1754)	183.22	0.1	176.40	120.76	137.84	140.49	-0.2	2.08	183.12	176.25	121.38	138.16	140.88	184.71	158.72	159.22
World Ex. UK (2180)	206.50	-0.5	198.82	136.11	155.36	171.96	-0.7	1.93	207.47	199.68	137.53	156.53	173.10	207.64	166.82	166.26
World Ex. Japan (1903)	240.03	-0.9	231.10	158.20	180.58	225.31	-0.8	2.53	242.17	233.08	160.54	182.72	227.45	242.17	187.55	188.12
The World Index (2385)	208.67	-0.5	200.90	137.53	156.98	176.53	-0.7	2.12	209.73	201.85	139.03	158.24	177.74	209.73	169.20	171.50